# ANNUAL REPORT 2015

**Weatherly International plc**
**Company No. 03954224**

# Contents

## 2015 Highlights

**Financial**

- US$16m raised on AIM to fund working capital requirements.
- Our principal lender, Orion Mine Finance, now our principal shareholder as well.
- Logiman, our contractor for plant construction, also a major shareholder.
- Tranche A of the Orion Mine Finance loan repaid in full while Tranche B fully drawn down.
- Revenue up 18 % year on year.

**Operational**

- Tschudi's now in full operation, building up to nameplate production of an annualised rate of ~17,000 tonnes.
- The plant at Tschudi is producing consistent LME grade A requirements of above 99.99 per cent copper cathode.
- Central Operations converted to project development status post year end.
- Craig Thomas appointed CEO from 1 July 2015.

## Chairman's Statement

**Overview**

This has been another year of significant operational progress for Weatherly. We have brought our flagship project – Tschudi – into operation, we have strengthened our management team and we can look forward to the future with renewed confidence.

Not only should we be confident in the quality of our assets and our management, we should also note the significant benefits of our location in Namibia. The internationally respected Fraser Institute now ranks Namibia as the most favourable African country for investment attractiveness.

Namibia is a stable, multi-party democracy with an established Mining Act. We continue to enjoy good relationships with the Government and all our local stakeholders in Namibia.

**Tschudi – into operation**

This has been a year of major change for Weatherly as we brought Tschudi into operation after many years of development.

The Company is very proud that Tschudi came into operation ahead of time and under budget. As with all new mining projects we had our teething problems – see our Operational Review for more details – but by the end of our financial year we are able to report:

- Production is increasing with 2,257 tonnes of London Metal Exchange Grade A copper cathode produced in the first full quarter of operations, which was more than 50 per cent of design capacity.
- By the end of the September 2015 quarter we were producing 1,000 tonnes per month (70 per cent of design capacity) and we expect to be close to design capacity of 1,400 tonnes by December 2015.

The development at Tschudi is proceeding well in line with our plans and, by the end of this calendar year, Weatherly will be operating a new 17,000 tonnes per year open pit copper mine in the best mining jurisdiction in Africa, producing some of the highest quality copper cathode in the world.

**Management Changes**

At the end of the financial year, Rod Webster retired as CEO after 10 years of service.

Rod has returned home to Australia from where he will continue to work with the Company as a director in a development role as Tschudi builds to its full operational performance.

Rod Webster took Weatherly from its initial listing and its Zambian copper prospects through the acquisition of the Namibian assets. These have been restructured to leave the Company focusing on its copper operations. The on time and under budget completion of the construction of the Tschudi project is a tribute to Rod's skill and tenacity at getting a significant new project financed and built in what have proved to be increasingly difficult market conditions.

Craig Thomas was appointed CEO with effect from 1 July 2015. Craig who was previously our Chief Operating Officer is a mining engineer with over 25 years of operational experience in Australia, Namibia, Botswana and Papua New Guinea. During this time he has played key leadership roles in the development, start-up and management of several underground and open pit mines. He has been with the company for five years and will continue to be based in Namibia.

# OPERATIONAL REVIEW

**Summary**

Production started at our new Tschudi mine in February with an initial 80 tonnes of copper cathode being stripped. This increasing to 692 tonnes in the month of March. In the June quarter we stripped 2,257 tonnes of cathode.

During the year, the Company produced 1,282 tonnes of contained copper at a C1 cost of US$6,417 per tonne from its underground mines at Central Operations. The company delivered 5,556 tonnes of concentrate (1,323 tonnes of copper) to metal trader Louis Dreyfus at a weighted average price of US$6,096 per tonne of copper. On 14 September 2015 mining and processing of ore at Central operations was suspended in light of the weak copper price. Central Operations is currently being converted to Project Development status.

**Tschudi – the 2014/15 story**

Such has been the scale of bringing our brand new mine into operation, it is worth reflecting on how the story unfolded throughout the year.

Our financial year started on a very positive note with our Tschudi Project on schedule, and on budget and approximately 57 per cent complete. Our mining contractor, Basil Read, had started work in June 2014 well ahead of our original schedule.

We were also extremely pleased to welcome Logiman, our engineering contractor for the Tschudi project, as a shareholder in November 2014. This was a great vote of confidence in both the management and the project itself.

By the start of 2015 we had also completed the recruitment of our key managerial positions for the project - the mining manager, the processing manager and the plant maintenance manager were all in place. Recruitment of the mining department's senior staff had also been completed, with the senior geologist, the senior surveyor and the senior mining engineer beginning work at the start of our financial year.

By November 2014 we had started mining and were stockpiling ore; we had also agreed timescales for the commissioning of the SX-EW plant and the crushing and agglomeration plant.

In December 2014, we were able to run 2,000 tonnes of ore through the crushing and agglomeration plant as a pre-commissioning test with the plant achieving the desired throughput rates. A second 2,500 tonnes were crushed and agglomerated in January, this time focussing on achieving the required agglomerate quality under full throughput rates. This resulted in some minor modifications that were completed within a week.

Also in December, the first 650 tonnes of acid arrived and was unloaded into the newly commissioned acid storage tank. In the same month, Nampower (the Namibian power utility) signed off on the High Voltage installation, enabling the site to switch to the main grid supply.

We continued to make progress into January 2015, at which time Tschudi was on track to commence production in the second quarter of the year. Leach Panels One and Two were close to completion; the raw water and raffinate ponds were completed.

Such was the progress that, later in January, we announced that Tschudi was ahead of schedule and first copper was forecast to be produced in February 2015. Over 80,000 tonnes of ore had been stacked.

The Crushing and Agglomeration plant was, by January, in full operation and achieving the desired throughput rates and required agglomerate quality under full throughput. The Solvent Extraction plant was in the process of being filled with diluent and anodes were being loaded into the Electro-winning cells.

As forecast, Tschudi duly produced its first copper in February 2015, well ahead of the original schedule.

However, in that month we discovered that, whilst copper cathode had been produced in accordance with the project schedule, there were a number of operational and technical issues relating to initial recovery of copper from the heap leach pads.

As a result, we had to request that our shares be suspended from trading on the AIM market until we were in a position to quantify the full operational and financial effect and address our short term working capital needs.

Our investigations showed that our initial copper recoveries at Tschudi were lower than anticipated due to slower leach rates and also had higher than anticipated acid consumption.

We knew that the uppermost part of the Tschudi deposit comprises of a leached cap containing significant carbonate and clay contents as well as partly refractory copper oxides, which was recognised to be difficult to process. Previous work had indicated that this material was confined to the uppermost 12 metres of the deposit and it was to be stockpiled for later blending and processing. However mining of the deposit and evaluation of results from grade control drilling showed that this material extended to depths of 25-30 metres.

By May of 2015 Tschudi management had confirmed that, even within this zone, harder more competent rock types presented fewer processing issues compared to the more clay-rich zones.

Once mining in some of the pits in the western part of the ore body reached lower levels there was a significant increase in both leaching rates and recoveries. Some of the shallow, more refractory ore was stockpiled for later treatment with the rest being blended with deeper material to improve recoveries and leach rates. We also accelerated our mining to access the deeper levels earlier than originally scheduled.

The processing plant, which was built both ahead of time and within the original feasibility budget, has performed to expectations since commissioning. Based on comprehensive commissioning trials prior to handover it is expected to comfortably accommodate production of copper cathode at the designed capacity.

**Central Operations**

The year started well following on from the record breaking quarter at the end of 2015 with 1,462 tonnes contained copper being produced from 89,654 tonnes ore. However both mines started to run into problems with insufficient faces being available to work and in the second quarter production fell to 1,213 tonnes. With the decline of the copper price at the beginning of 2015 Central Operations came under review as at the production levels it was achieving it was uneconomic. During the third quarter of the financial year we sacrificed some production to get development further ahead and production fell to 1,050 tonnes in the quarter. The Group set production targets to be achieved from the 4th quarter. These were initially met and with an increase in the copper price we hoped Central Operations could at least break even.

However post the financial year end the copper price again took a down turn and the Board took the decision in September 2015 to suspend mining and processing ore from Central Operations and convert it to project development status.

**Financial Review**

**(a) Revenue and costs**

Revenue and costs relating to Tschudi were fully capitalised at year end and will be until 1 October 2015 when the Group declared it had reached Commercial Production. Revenue and costs therefore relate to Central Operations and UK head office expenses.

A major factor for any copper producer in recent times has been the copper price which, during the year, suffered a material fall from nearly US$7,000 at the start of the financial year to US$5,720 per tonne at the end of June 2015. The average copper price we achieved in 2014/15 was US$6,514 per tonne compared to US$7,397 the previous year, a 12% decline.

Despite this revenue rose 18% because the tonnes shipped rose 32%. This rise was a result of reducing stock levels at the port of Walvis Bay rather than production which declined slightly year on year.

The Group impaired all development costs at Central Operations which meant that including normal depreciation US$8.0m was written off property plant and equipment. This together with the weak copper price left the Group with a gross loss of US$6.3m in the year.

Distribution costs were higher than the previous year at US$3.2m as a result of the increase in tonnes shipped but also a 20% increase in the average shipping charges. Administration expenses remained at the same level as the previous year, cost savings in the final quarter of the year as the Group reorganised its London office will largely fall into the next financial year.

The Group was not in compliance with one of the loan covenants at year end, to be in Commercial Production by 30 June 2015 and so the loan is disclosed as being repayable within one year despite there being no notification from Orion

Mine Finance that the Group was not in compliance. The Group achieved Commercial Production on 30 September 2015 and the technical violation has subsequently been waived. The terms of the loan were amended as described in Events Subsequent to Statement of Financial Position Date on page 25.

**(b) Potential Fraud within Central Operations**

Subsequent to the year end the Group has identified a potential fraud within Central Operations. The Group has engaged forensic auditors to confirm whether a fraud has occurred and if so its magnitude. It is believed any fraud is contained within Central Operations and any loss to the company associated with this potential fraud in the year is contained within the income statement and that the Statement of Financial Position is unaffected. The staff suspected to be involved are no longer with the Group.

**(c) Loans and cash**

The Group made its final payment under Tranche A of its loan facility with Orion in December 2014. Tranche A related to the original $7 million loaned by Louis Dreyfus to restart the underground mines.

The Group had fully drawn down on Tranche B of the loan facility with Orion at 30 June 2015. Including accrued interest the loan balance stood at US$88.2million.

The Group had cash reserves at 30 June 2015 of US$6.8m.

**(d) Fund Raisings**

Foreseeing a need to accelerate waste stripping the Group raised US$7.3m in November 2014 via an open offer and placement. In total 160,641,866 new shares were issued at an average share price of 2.925p. This included US$2.6m from a new investor, Polo Resources Ltd and US$1.8m from Logiman, the contractor for the plant construction at Tschudi.

By the end of the year the combination of factors affecting revenue during the ramp up period put the Company at the limits of its available funding. The key factors were the copper price, the slow ramp up resulting from the technical issues detailed above and losses incurred by Central Operations in January and February.

Therefore, Weatherly entered into an equity subscription agreement (‘placing’) with Orion Mine Finance, Logiman, one of the Company’s largest shareholders, and other existing shareholders. In total Weatherly raised US$8.7m at 2p and issued 283,556,181 new shares. Orion Mine Finance subscribed for US$8m of the share issue and Logiman for a further US$0.5m.

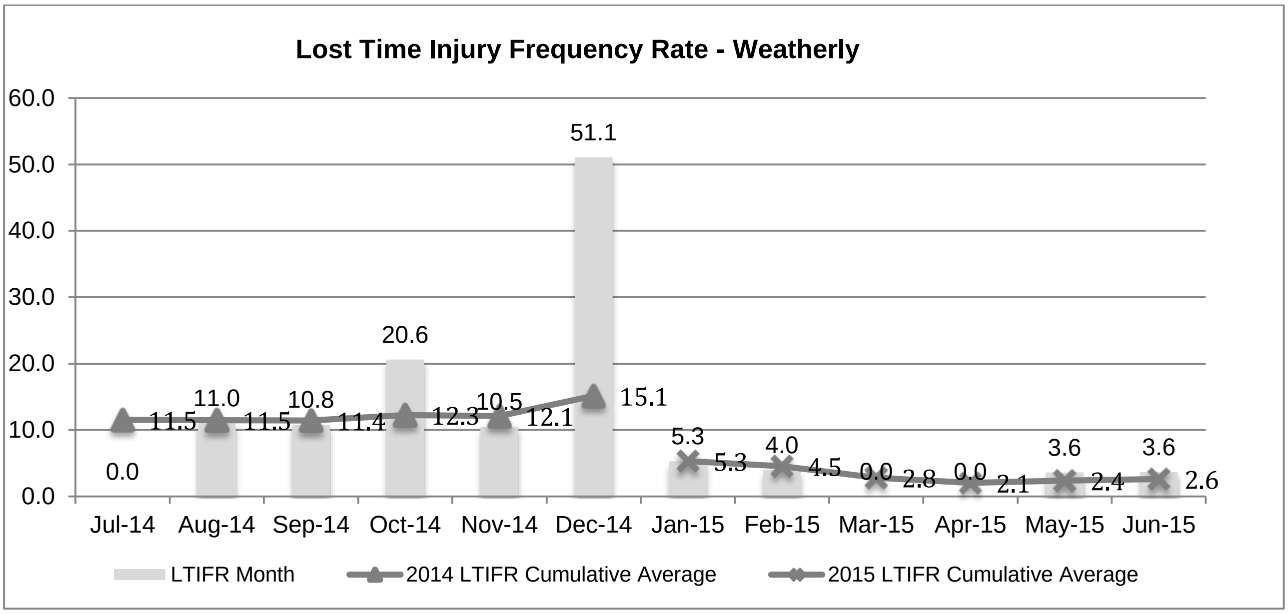
**Safety**

Weatherly is committed to getting all of our employees and contractors “safely home every day” through effective teamwork and leadership, and ensuring that our Safety Management System effectively encompasses our entire workforce. During the reporting period, we made significant progress against our safety targets, but acknowledge that there is still important work to do.

In order to improve understanding and awareness of the hazards confronting our employees in their daily work, Weatherly developed a behavioural based safety programme titled SAFE COPPER to engage all levels of the workforce.

The SAFE COPPER programme was selectively integrated into the day-to-day operations. Employees were engaged through various tools, rewards were given for SAFE COPPER behaviour and the front line supervisor level had a change in focus from lag indicators to lead indicators to measure how well we are doing at preventing incidents rather than quantifying them as they occur.

Through the application of the SAFE COPPER behavioural model plus further development and implementation of our Safety Management System, significant improvements in safety performance were achieved. Lost Time Injury frequency rates fell by over 80% to reach 2.6 lost time injuries per million man hours worked.




Weatherly has a culture of continuous improvement and this is reflected in the development of an integrated management system aligned to ISO 18001 and ISO 14001. By adopting a proactive approach we aim to prevent failures, seize opportunities and excel in the production of Safe Copper.

**Environmental Performance**

The company recognises that long-term success requires more than just legislative compliance. Our commitment to minimizing potential environmental impacts extends throughout our management practices, policies and standards.

Weatherly's environmental monitoring program focuses on collecting and assessing data associated with surface and ground water, noise and air quality. This information is made publically available via a quarterly presentation to the Environmental Forum, which includes representatives from Weatherly, Government, local council, communities and neighbouring property owners who review environmental performance relating to our operations.

Weatherly aims to firstly identify then mitigate potential impacts to the environment and community in which it operates. We are pleased to report that no environmental incidents or fines for non-compliance were received during the reporting period.

The operation's approved Environmental Management Plan (EMP) includes monitoring of surface and groundwater around the site at strategic locations to identify early on any potential concerns emanating from the site. Standing water levels and water chemistry are monitored at precise locations in accordance with the plan. Hydrogeologists have been engaged to ensure the potential impacts are understood, measured and managed to prevent long-term alteration or harm.

Some of the environmental initiatives implemented in 2014/2015 include:

- ✓ Continued environmental monitoring as per the requirements of the EMP
- ✓ Partnered with the Ministry of Agriculture to enhance the level of Government compliance monitoring being undertaken
- ✓ Evaporation strategies implemented for water contained in old workings
- ✓ Ongoing dust suppression in operational areas of the mining operations that potentially impact our neighbours

## China Africa Resources

China Africa Resources plc, in which Weatherly holds a 25% stake made a loss of US$0.7 million (2014- US$0.6 million). The loss incurred during the year consists of costs of running the head office in London and associated listing and regulatory requirements. All costs of the Berg Aukas feasibility study have been capitalised. At 30 June 2015 the Group had US$0.8 million (2014- US$1.5 million) in cash reserves.

## Final Comments

In closing, I would like to thank our shareholders and staff for their continued support during the last 12 months. This has been a tough but transformational year for Weatherly and I am delighted that we are now operating in line with our plans, producing some of the highest quality copper cathode in the world.

**John Bryant**

**Chairman**
*22 December 2015*

## At a Glance - Our Assets

**Tschudi**

Tschudi is an open pit copper mine with a mine life of 11 years and a confirmed JORC ore reserve of 24.4 million tonnes of ore at a grade of 0.85 per cent copper.

Tschudi commenced production in February 2015 from its low cost, heap leach, solvent extraction and electro-winning processing plant. The mine and plant are performing to expectations with copper cathode quality consistently exceeding LME grade A requirements of above 99.99 per cent copper.

**Central Operations**

Central Operations consisted of two producing underground copper mines, Matchless and Otjihase, that were reopened in 2011. Over the last four years their annual production rate has been consistently between 5,000-5,500 tonnes.

The cash from these operations funded drilling at Tschudi, testwork, the feasibility study and also repaid start up loans.

On 14 September 2015 mining and processing of ore at Central Operations was suspended in light of the weak copper price. Central Operations is currently being converted to project development status.

**Other Projects**

Weatherly has two projects on granted Mining Licences, Tsumeb West and Tsumeb Tailings, and the prospect area EPL 132A.

Weatherly has also strategically invested 25 per cent in the AIM listed China Africa Resources which is currently focused on the development of the lead/zinc project at Berg Aukas in Northern Namibia, estimated to produce 250,000 tonnes of both lead and zinc over 10 years.

**Projects – Location**

Tschudi is located only 20 kilometres from Tsumeb with good transport via established roads and a nearby airport and railway. The site has grid power and water available from local bore holes.

The Otjihase and Matchless mines are located 18 kilometres northeast of the capital Windhoek and 30 kilometres southwest of Windhoek, respectively. Access to both the projects is via a well-developed road and rail system. Additional state owned services, including grid power and reticulated water are also available at all major centres.

**Namibia**

Namibia was rated the best African Nation for mining by the Fraser Institute Survey 2014. The country is a stable multi-party democracy and the government promotes inward foreign investment. It has a long established Mining Act and operates under an independent legal system.

During the Company’s eight years in Namibia, Weatherly has developed strong relationships with all stakeholders.

## Principal Risks and Uncertainties

The Group is exposed to a number of risks and uncertainties which could have a material impact on the performance of the business. The management of these risks is an important part of the day to day responsibility of the management team.

The Board recognises the risks below as the principal risks within the business:

| Nature of Risk | How we manage it |
|---|---|
| **Production volume and ore grade**<br>The production of copper is dependent on producing sufficient ore with the required copper content.<br><br>Impact - Reduced copper production with subsequent loss of revenues. | We have an annual production plan that we monitor performance against on a daily and monthly basis. We monitor volume mined and ore grade on a daily basis. The grade of the ore is tested in different areas of the mine and production is monitored against it to minimise dilution. |
| **Leach times and metallurgical recovery**<br>There is a risk that the leaching process and SX-EW plant does not produce the amount of copper cathode that we expect.<br><br>Impact - A loss of revenue. | We constantly monitor leaching characteristics of the ore going onto the heap leach pads by cell and monitoring output against expectations and can turn cells on and off as appropriate. Ore from different parts of the mine are stock piled separately to ease blending and refining the material that goes onto the pads. |
| **Reliance on Third party contractors**<br><br>The company is reliant on a few key third party contractors. There can be no assurance that such parties will be able to provide such services in the time scale and cost anticipated.<br><br>Impact - Increased cost or loss of contractor. | The company has designated management responsible for monitoring the performance of our contractors and liaising with their management and staff. |
| **Copper Price and Exchange Rate**<br>There is a risk that copper prices and exchange rates move to levels that make our mines uneconomic.<br><br>Impact - The mines would be loss making.<br>More details of these and other financial risks are contained in note 29. | A significant part of our costs are fixed and we anticipate meeting our cash needs when we are producing at nameplate production levels at Tschudi in most reasonable scenarios. The Group has in the past hedged both the copper price and currency and would again if it felt it was appropriate. |
| **Retention of Key Personnel**<br>The achievement of the Groups objectives are dependent on the Group attracting and retaining qualified and motivated staff.<br><br>Impact - The efficiency of the Group's operations would be affected leading to reduced profitability. | The Group management annually review the salaries of its staff in order to ensure pay levels are competitive.<br><br>Senior Management receives share options as determined by the Remuneration Committee to ensure their remuneration is linked to the performance of the company. |
| **Safety and Environmental risk**<br>There is a risk that the Group's operations are suspended or terminated due to safety or environmental factors.<br><br>Impact - Reduced copper production. | The Group employs appropriate safety and environmental management professionals to assist line management to ensure the company complies with its safety management systems. These professionals record all incidents and assesses the Company's needs with respect to training, procedural changes and ways of improving the Company's overall safety performance.<br><br>Each site has to submit an Environmental Management Plan (EMP) to the Ministry of Environment and Tourism. All sites have had their EMPs approved and we operate in such a way as to ensure full compliance. |
| **Uninsured risks**<br>There is a risk that there may be circumstances where the Company's insurance will not cover or be adequate to cover the consequences of certain events.<br><br>Impact - Losses will be uninsured | The company maintains insurance which the Directors consider to be appropriate for the nature of the business. |
| **Country Risk**<br>Africa is often perceived as a higher risk environment than other areas of the world.<br><br>Impact - Legislative changes could impact on the company's operations. | The Fraser Institute rates Namibia as the top county in Africa. The Government pursues a constant strategy of encouraging investment in the country and is keen to keep the climate attractive for foreign investors. Weatherly maintains strong contact with the Minister of Mines and other Government members and officials. Weatherly has been operating in Namibia for eight years and all its Namibian companies have local boards with strong Namibian representation. |

## Key Performance Indicators

The Board sets key performance indicators relevant to the stage of operation of the mines. Safety and adherence to environmental legislation are of paramount concern across all our mines. For those mines within Central Operations, Otjihase and Matchless, our cost per tonne and overall production levels are key measures of performance. For Tschudi which was in the development stage, the key measure is being on budget in terms of time and cost. It has subsequently moved to similar measures as Central Operations. The Board is conscious that shareholder return is of paramount importance and share price is a key measure for the business.

| KPI | Measure | Performance |
|---|---|---|
| Tschudi construction | On budget, on time | Tschudi was on budget and first copper was produced ahead of schedule in February 2015. For further information see page 4. |
| Tschudi Operations | Cathode produced | Tschudi produced 3,029t of cathode by 30 June 2015. This was in line with the revised forecast allowing for the technical issues relating to initial recovery of copper experienced at start up (see page 4). |
| Central Operations Production | Ore treated<br>Copper tonnes | Tonnes treated increased by 11.1% while copper tonnes declined by 1.6% due to reduced grade. |
| Central Operations costs | C1 cost | Central Operations was unable to produce copper at prices that made it economic to keep the mines producing. In light of the declining copper price the Board took the decision post year end in September 2015 to convert Central Operations to project development status. |
| Health and Safety Management | Lost time injury frequency | Reduced by 80% in the year. |
| Environmental Management | Compliance with legislation | An integrated management system was established within the business and has been rolled out across all three sites. |
| Share Holder return | Share price performance | The share price declined in the year ending at 1.05p from a starting position of 2.88p. Board believe this value reflects the cash flow issues the Group had to overcome earlier in the year and continuing uncertainty regarding the Group's cash flow position. The Board believe de-risking the Tschudi project and moving to full production will positively impact the share price. |

## Corporate Social Responsibility (CSR)

Weatherly is committed to complying with all health and safety, environmental and social legislation in the countries in which it operates to protecting the health and general well being of its employees and contractors. It is committed to preserving the environment and benefiting communities in the areas where we operate.

### Environment

Concern for the environment is of upmost importance to Weatherly. As well as meeting all the environmental standards required by Namibian legislation it is our policy to reduce to a minimum the potential environmental impact of our activities and to have a positive impact on the areas in which we operate.

We have adopted an integrated approach to the way we manage our Environmental responsibilities. In 2015-2016 the Environ module of the company's Integrated Management system software will be rolled out which includes automated monitoring schedules, ability to track and trend data associated with the operations performance and ensure the company's compliance with the Government approved Environmental Clearance Certificates. For more information see the Chairman's Statement page 7.

### Health and Safety

The health, safety and security of the personnel and communities in which we operate takes priority in the management of our operations. Our goal is to prevent injury and ill health to employees and contractors by providing a safe and healthy working environment and by minimising risks associated with occupational hazards.

Weatherly is developing an integrated management system aligned to OSHAS 18001 and ISO 14001as well as a behavioural based safety programme called SAFE COPPER. For more information see the Chairman's Statement page 6.

### Business Ethics

Weatherly is committed to carrying out all its operations with high moral and legal standards. Weatherly has a well developed Anti corruption and Anti bribery policy in line with the Bribery Act. All staff are made aware of their obligations on recruitment and with periodical updates. The company maintains a "whistle blower" programme.

### Benefits to Namibia

Weatherly's operations in Namibia benefit the adjacent and wider Namibian community through the creation of substantial direct and indirect employment. Development of the Tschudi project as a mine which produces pure refined copper on site for the first time on a commercial scale in Namibia is supportive of the Government's stated strategic objectives relating to maximising value-addition by beneficiation of mineral resources entirely within the country. Further Weatherly's projects benefit Government's development and social objectives via the direct contribution made to Namibia's fiscus via royalties and taxation, and via benefits the Government of the Republic of Namibia will obtain by virtue of its significant shareholding in Weatherly International. Additional benefits provided by Weatherly in line with Government's stated objectives relate to the significant training and skills creation activities which take place. In a more local sense, Weatherly is also engaged in discussions with the Tsumeb Municipality with a view to assisting with transfers of land suitable to help provide low cost housing in the area.

# Reserves and Resources Statement

### Current Operations- Tschudi

All reserves and resources in table A and B below have been updated to 30 June 2015 and are reported in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") and estimated by a Competent Person as defined by the JORC Code (as described more fully below).

**Table A: Weatherly Mining Namibia, Tschudi Operation: Ore Reserves as at 30 June 2015**

| Deposit | Classification | Tonnes (Mt) | Grade Cu (%) | Contained Metal Cu (kt) |
|---|---|---|---|---|
| TSCHUDI (0.3% Cu cut-off) | Proved | 7.3 | 0.93 | 68 |
| | Probable | 18.0 | 0.81 | 146 |
| | **Total Ore Reserve** | **25.3** | **0.85** | **214** |
| Net attributable to Weatherly (96.5%) | | 24.4 | 0.85 | 207 |

The Ore Reserve estimate is reported above a copper cut-off grade of 0.3%, and based on a copper price of US$5,950/tonne (US$2.70/lb)
Current surface stockpiled ore has been excluded from the reserve estimate. Approximately 280kt of ore at 0.44% Cu was stockpiled at the end of June 2015 containing 1,237t Cu metal.
The above tables is subject to rounding errors and may not cast.

**Competent Persons Statement- Tschudi Ore Reserves** The information in this report that relates to the Tschudi Ore Reserve estimate is based on information compiled by Mr Anthony Cameron, BE (Mining), Grad Dip Bus, M Comm Law, FAusIMM, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Cameron is the Principal Mining Engineer of Cameron Mining Consulting Ltd. Mr Cameron has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and ore Reserves'. Mr Cameron consents to the inclusion in the Annual Report of the matters based on his information in the form and context in which it appears.

**Table B: Weatherly Mining Namibia, Northern Operations: Mineral Resources as at 30 June 2015**

| Deposit | Classification | Tonnes (Mt) | Grade Cu (%) | Contained Metal Cu (kt) |
|---|---|---|---|---|
| TSCHUDI (0.3% Cu cut-off) | Measured | 6.8 | 0.98 | 67 |
| | Indicated | 23.1 | 0.84 | 195 |
| | **Measured & Indicated** | **29.9** | **0.87** | **262** |
| | Inferred | 22.2 | 0.72 | 160 |
| | **Total Mineral Resource** | **52.1** | **0.81** | **422** |
| Net attributable to Weatherly (96.5%) | | 50.3 | 0.81 | 407 |

The Measured and Indicated Mineral Resources are inclusive of Ore Reserves.
The above tables are subject to rounding errors and may not cast.

**Competent Persons Statement - Tschudi Mineral Resources** The information in this report that relates to the Tschudi Mineral Resource estimate is based on information compiled by Mr Riaan E Herman, Pr.Sci.Nat, a Competent Person who is a Professional Natural Scientist of the South African Council for Natural Scientific Professions, which is Recognised Professional Organisation ('RPO'). Mr Herman is the Managing Director of Riaan Herman Consulting cc. Mr Herman has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Herman consents to the inclusion in the Annual Report of the matters based on his information in the form and context in which it appears.

**Resources and Reserves Statement- Development Projects**

All reserves and resources in tables C & D below were updated to 30 June 2014 and are reported, in accordance with the Australasian Code of Reporting Mineral Resources and Ore Reserves (the “JORC Code”) and were estimated by a Competent Person as defined in the JORC Code (as described more fully below) They have not been updated to 30 June 2015. However the only activity that occurred on these sites from 1 July 2014 to 30 June 2015 which would affect these figures was mining and processing of ore from Otjihase and Matchless Western Extension. During the period 1st July 2014 to 30th June 2015 the following ore was mined and processed from these projects:
Otjihase: 176kt at 1.49% Cu containing 2,634t Cu metal.
Matchless (Western Extension): 154kt at 1.90% Cu containing 2,761t Cu metal.

### Table C: Weatherly Mining Namibia, Development Projects: Ore Reserves as at 30 June 2014

| Deposit | Classification | Tonnes | Grade | | | Contained Metal | | |
|---|---|---|---|---|---|---|---|---|
| | | (Mt) | Cu (%) | Ag (g/t) | Au (g/t) | Cu (kt) | Ag (t) | Au (t) |
| OTJIHASE (1% Cu Cut-off) | Proved | 0.9 | 1.75 | 7 | 0.41 | 16 | 7 | 0.4 |
| | Probable | 1.2 | 1.28 | 7 | 0.18 | 16 | 9 | 0.2 |
| | **Total Ore Reserve** | **2.2** | **1.48** | **7** | **0.28** | **32** | **15** | **0.6** |
| MATCHLESS (1% Cu cut-off) | Proved | | - | - | - | - | - | - |
| (Western Extension) | Probable | 0.3 | 1.83 | - | - | 5 | - | - |
| | **Total Ore Reserve** | **0.3** | **1.83** | - | - | **5** | - | - |
| **Grand Total - DEVELOPMENT PROJECTS** | **Ore Reserves** | **2.4** | **1.52** | **-** | **-** | 37 | **15** | **0.6** |
| Net attributable to Weatherly (96.5%) | | 2.4 | 1.52 | - | - | 36 | 15 | 0.6 |

The above tables are subject to rounding errors.

**Table D: Weatherly Mining Namibia, Development Projects: Mineral Resources as at 30 June 2014**

| Deposit | Classification | Tonnes | Grade | | | Contained Metal | | |
|---|---|---|---|---|---|---|---|---|
| | | (Mt) | Cu (%) | Ag (g/t) | Au (g/t) | Cu (kt) | Ag (t) | Au (t) |
| OTJIHASE (1% Cu Cut-off) | Measured | 1.3 | 2.33 | 9 | 0.54 | 30 | 12 | 0.7 |
| | Indicated | 4.2 | 1.95 | 8 | 0.32 | 82 | 32 | 1.3 |
| | **Measured & Indicated** | **5.5** | **2.04** | **8** | **0.37** | **111** | **44** | **2.0** |
| | Inferred | 3.4 | 1.38 | 6 | 0.23 | 47 | 19 | 0.8 |
| | **Total Mineral Resource** | **8.9** | **1.78** | **7** | **0.32** | **158** | **64** | **2.8** |
| MATCHLESS (1% Cu cut-off) | Measured | | | | | | | |
| (Western Extension) | Indicated | 0.3 | 3.14 | | | 9 | | |
| | **Measured & Indicated** | **0.3** | **3.14** | | | **9** | | |
| | Inferred | 0.2 | 2.32 | | | 5 | | |
| | **Total Mineral Resource** | **0.5** | **2.77** | | | **14** | | |
| TSUMEB TAILINGS (0% Cu cut-off) | Measured | 12 | 0.48 | 13 | | 58 | 153 | |
| | **Total Mineral Resource** | **12** | **0.48** | **13** | | **58** | **153** | |
| TSUMEB WEST (1% Cu cut-off) | Measured | 0.04 | 2.45 | 13 | | 0.9 | 0.5 | |
| | Indicated | 0.5 | 2.24 | 20 | | 12 | 10 | |
| | **Measured & Indicated** | **0.6** | **2.26** | **20** | | **13** | **11** | |
| | Inferred | 0.4 | 1.88 | 16 | | 8 | 7 | |
| | **Total Mineral Resource** | **1.0** | **2.10** | **18** | | **20** | **18** | |
| **Grand Total - DEVELOPMENT PROJECTS** | | 22 | 1.12 | | | 250 | 234 | 2.8 |
| Net attributable to Weatherly (96.5%) | | 22 | 1.12 | | | 242 | 226 | 2.7 |

Reported in accordance with 2004 Edition of the JORC Code.
The Measured and Indicated Mineral Resources are inclusive of Ore Reserves.
The above tables are subject to rounding errors and may not cast.

**Competent Persons Statement- Ore Reserves and Mineral Resources** The information in this report that relates to the Ore Reserve and Mineral Resource estimates is based on information compiled by Mr Andrew Thomson BSc (Hons) Geology, Country Manager and Technical Director, Weatherly Mining Namibia, member of South Africa Council for Natural Scientific Professions (registered number 400052/86), a Competent Person. Mr Thomson has sufficient experience that is relevant to the styles of mineralisation and type of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Thomson consents to the inclusion in the Annual Report of the matters based on his information in the form and context in which it app

### Weatherly Mining Namibia: Historical Estimates

The estimates in Table E are “historic estimates” and although most were prepared at the time in accordance with South African reporting standards (SAMREC) they are not reported in accordance with the current JORC code of 2012. At this stage no competent person has done sufficient work to report these “Historic estimates” in accordance with the JORC code (2012). It is uncertain that following evaluation and/or further exploration that the “historic estimates” will be able to be reported as mineral resources in accordance with JORC Code (2012).

### Table E: Weatherly Mining Namibia: Historical Resources

| | Tonnes (Mt) | Grade Cu (%) | Grade Ag (g/t) | Contained Cu (kt) | Metal Ag (t) |
|---|---|---|---|---|---|
| Old Matchless Mine* | 1.1 | 2.50 | - | 27 | - |
| Tsumeb Mine (Open Pit) | 0.2 | 2.96 | 61 | 4 | 9 |
| Uris Mining Area | 0.2 | 2.27 | - | 4 | - |
| **Total Historical** | **1.4** | **2.52** | - | **35** | **9** |
| Net attributable to Weatherly (96.5%) | 1.3 | 2.52 | - | 34 | 9 |

* Remaining resource/reserve calculated by Tsumeb Corporation Limited in 1984.
The above tables are subject to rounding errors and may not cast

The Strategic Report on pages 3 to 16 was approved by the Board of Directors on 22 December 2015 and was signed on its behalf by John Bryant, Chairman.

**John Bryant**
**Chairman**

# Corporate Governance Report

### Introduction

Whilst we do not comply with the UK Corporate Governance Code ("the Code"), the Board of Directors is committed to maintaining 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 2015, 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 |

### 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 historic shareholding 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 Charilaos Stavrakis as Chairman, Alan Stephens and John Bryant for the year ended 30 June 2015.

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 9 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 twice during the period, and all committee members were present on each occasion.

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.

***The Remuneration Committee*** was made up of Alan Stephens as Chairman, John Bryant and Charilaos Stavrakis.

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 and the grant of options as part of the remuneration package. The Remuneration Committee met once during the period, with all committee members in attendance on each occasion.

***The Nominations Committee*** was made up of John Bryant and Rod Webster with either Wolf Martinick or Alan Stephens.

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 did not meet in 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 | 1/1 |
| Rod Webster | Board | 11/11 | | | | |
| Alan Stephens | Board | 10/11 | Audit Committee | 2/2 | Remuneration Committee | 1/1 |
| Wolf Martinick | Board | 9/11 | | | | |
| Charilaos Stavrakis | Board | 11/11 | Audit Committee | 2/2 | Remuneration Committee | 1/1 |

Of the eleven Board meetings, two were of a procedural nature and nine were substantive meetings.

The Nominations Committee did not meet in the year.

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 which the Board has reserved to 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;
- 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 which 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.

# 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 (September 2014). The members of the Committee for the year ended 30 June 2015 were Alan Stephens, John Bryant and Charilaos Stavrakis, who are 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.

### 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;
- 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.

### 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 27 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 stood down as CEO at the end of the financial year. 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 so 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.

## Aggregate Directors' Remuneration

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

| | Salary | Other Fees | Bonus | Benefits in kind | Pension | Total |
|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **2015** | | | | | | |
| **Executive** | | | | | | |
| R J Webster | 467 | - | 14 | 9 | 45 | 535 |
| **Non Executive** | | | | | | |
| W G Martinick | 50 | - | - | - | - | 50 |
| J Bryant | 50 | 80 | - | - | - | 130 |
| A Stephens | 50 | 20 | - | - | - | 70 |
| C Stavrakis | 50 | - | - | - | - | 50 |
| | 667 | 100 | 14 | 9 | 45 | 835 |
| **2014** | | | | | | |
| **Executive** | | | | | | |
| R J Webster | 373 | - | 83 | 8 | 63 | 527 |
| **Non Executive** | | | | | | |
| W G Martinick | 49 | - | - | - | - | 49 |
| J Bryant | 49 | 86 | - | - | - | 135 |
| A Stephens | 49 | - | - | - | - | 49 |
| C Stavrakis | 49 | - | - | - | - | 49 |
| | 569 | 86 | 83 | 8 | 63 | 809 |

## Directors' Share Options

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. Details of the total number of options granted to date are set out below.

| | Note 1 | Note 2 | Note 3 | Note 4 | Total |
|---|---|---|---|---|---|
| R J Webster | 2,500,000 | - | 3,333,333 | 4,000,000 | 9,833,333 |
| W G Martinick | 750,000 | - | - | 400,000 | 1,150,000 |
| J Bryant | 750,000 | - | - | 400,000 | 1,150,000 |
| A Stephens | 750,000 | - | - | 400,000 | 1,150,000 |
| C Stavrakis | - | 750,000 | - | 400,000 | 1,150,000 |
| | 4,750,000 | 750,000 | 3,333,333 | 5,600,000 | 14,433,333 |
| Option price (p) | 3.00 | 4.12 | 3.16 | 3.38 | |

1. Fully vested.
2. Vest one-third on 11/3/2014, one third on 11/3/2015 and one third 11/3/2016.
3. Vested on 17/6/2014. All options are exercisable for 10 years from the vesting date.
4. Vest following a period of three calendar months during which an aggregate of 3000 tonnes of copper cathode is produced at Tschudi.

The share price movements during the year were as follows: high of 3.88 pence, low of 0.88 pence and a closing share price at 30 June 2015 of 1.05 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 22 December 2015 and signed on its behalf by:

**John Bryant**
**Chairman**

## 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**
*22 December 2015*

# Directors' Report

### Principal Activities

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 16.

### Review of the Business and Future Developments

The review of the business and future developments of the group are included within the Chairman's Statement on page 3.

Financial Risk management has been assessed within note 29.

### The Directors

The directors during the year ended 30 June 2015 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)

### Directors' indemnities

Weatherly International plc maintains liability insurance for its directors and officers during the year and also as at the date of the report of the directors. This group cover extends to and includes the directors and officers of the company.

### Going Concern

The Group incurred a loss before tax of US$13.1m during the year ended 30 June 2015 and, at that date, had net current liabilities of US$88.3m including the loan from Orion Mine Finance (Master) Fund I LP ("Orion"), in respect of which the Group was not in compliance with one of its covenants at that date, which was to produce 3,000 metric tonnes of copper cathode in a consecutive 3 month period by 30 June 2015. The non-compliance has subsequently been waived by Orion and the terms of the loan have subsequently been amended as disclosed in "Events Subsequent to Statement of Financial Position Date" in note 30.

Under the terms of the amended loan the first instalment on Tranche B was due on 30 November 2015. Orion, Weatherly's largest shareholder and lender, confirmed it has agreed to defer both this and the next instalment due on 29 February 2016. If copper prices remain at current levels it is unlikely that the Group will generate sufficient surplus cash to meet subsequent loan repayments and the Group's going concern will be dependent on Orion's continued support, of which there is no certainty.

On 14th September the Group announced it had suspended production at its Otjihase and Matchless mines, Central Operations. There will be ongoing care and maintenance costs which will need to be funded from Tschudi and well as the costs of the holding company, Weatherly International.

In addition to deferring the payments due on 30$^{th}$ November 2015 and 29$^{th}$ February 2016, Orion provided a further US$4m loan on 18$^{th}$ December repayable within 350 days to meet the working capital requirements of the Group .

The directors believe that with the support of Orion to defer loan repayments, Tschudi can generate sufficient surplus funds for the group to remain as a going concern. However there are a number of uncertainties around the assumptions that have a potentially negative impact on the company's ability to deliver the forecast cash flows.

These are:

- That Tschudi is able to achieve and maintain nameplate production levels of 1,400t of copper cathode a month throughout the period. The risks of not achieving this revolve around not being able to mine and process sufficient ore tonnes to achieve this output as well as the leach time and metallurgical recovery rates remaining in line with the feasibility study as we mine into different types of ore.
- Copper price fluctuations not having a further material adverse affect on the Group's profitability.

- As the Group's revenue streams are converted from US dollars to rand exchange rate fluctuations could have a material adverse effect on the Company's profitability.
- The timing of income is uncertain. Sales are dependent on the date our customer, Orion, ships the copper cathode. The Group recovers VAT receipts in Namibia, the timing of which is uncertain.

The likely ongoing need for Orion's support along with the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

**Results and Dividends**

The consolidated loss for the year after taxation was US$13,544,000 (2014 loss US$ 5,730,000). No dividends were declared or paid during the year (2014: US$ nil).

**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 7 December 2015 as follows:

**Major Shareholders' Information**

| Shareholder Name | Number of Shares | % Holding |
|---|---|---|
| Orion Mine Finance (Master) Fund I LP | 260,778,350 | 24.58 |
| Logiman CC | 120,914,832 | 11.40 |
| Legal & General Investment Mgt | 100,150,877 | 9.44 |
| Polo Investments | 54,852,859 | 5.17 |
| Christopher Chambers | 4,160,000 | 3.92 |

**Events Subsequent to Statement of Financial Position Date**

1. On 1 July 2015 Rod Webster retired as CEO of the company. He will continue to work with the Company as a Director in a development role. Craig Thomas has been appointed as Chief Executive Officer and has joined the Board of Directors of Weatherly. In addition, two further new appointments have been made to the Board of Directors, Krzysztof Szymczak, Managing Director of Logiman (Pty) Ltd, and Ray Jenner, Portfolio Director of Orion Resource Partners (USA) LP, have joined the Board of Weatherly.

2. On 14 September 2015 mining and processing of ore at Central Operations was suspended in light of the weak copper price. Central Operations is currently planned to be converted to Project Development status.

3. On 15 September 2015 the Group announced that it has executed an agreement for the drawdown of US$4 million under its master facility agreement with Orion Mine Finance (Master) Fund I LP ("Orion").
   The key terms of Facility C include *inter alia* an interest rate of Libor plus 9% (with a minimum Libor of 2%) which remains unchanged from the terms originally agreed in respect of Facility C in 2013; a drawdown period of 60 days from signing; a due date 350 days after signing the Amendment and Restatement Agreement; and an arrangement fee of US$280,000 payable on or before 31 August 2016.

4. Subsequent to the year end the Group has identified a potential fraud within Central Operations. The Group has engaged forensic auditors to confirm whether a fraud has occurred and if so its magnitude. It is believed any fraud is contained within Central Operations and any loss to the company associated with this potential fraud in the year is contained within the income statement and that the Statement of Financial Position is unaffected. The staff suspected to be involved are no longer with the Group.

5. On 18 December 2015 the Group announced that it has executed an agreement for the drawdown of a further US$4 million under its master facility agreement with Orion Mine Finance (Master) Fund I LP ("Orion"). The key terms of Facility D include *inter alia* an interest rate of Libor plus 9% (with a minimum Libor of 2%); a drawdown period up to 31 March 2016, a due date 350 days after signing the Amendment and Restatement Agreement; and an arrangement fee of US$280,000 payable on the due date. At the same time the Group announced that commencement of repayments under Tranche B have been deferred and consequently that the first two payments of the loan due on 30 November 2015 and 29 February 2016 had been removed from the repayment schedule. The first repayment under Tranche B will be 31 May 2016 and quarterly thereafter until 29 February 2020. The revised repayment schedule is for the first two payments to be half the level of the remaining payments.

**Exchange Rates**

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

| | Translation | 2015 | 2014 |
|---|---|---|---|
| Year end | 1 GBP – USD | 1.57 | 1.71 |
| Average | 1 GBP – USD | 1.53 | 1.62 |
| Year end | 1 USD – NAD/ ZAR | 12.21 | 10.60 |
| Average | 1 USD – NAD/ ZAR | 11.45 | 10.31 |

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

The directors' report was approved by the board and signed on its behalf.

**John Bryant**
Chairman
*22 December 2015*

**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 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the 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 (IFRSs) 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 Statement of Directors' Responsibilities set out on page 23, 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 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 FRC's website at www.frc.org.uk/auditscopeukprivate.

*Basis for qualified opinion on financial statements*

As disclosed in note 30, subsequent to the year end the directors have identified a potential fraud relating to certain expenditures within the two producing copper mines, Matchless and Otjihase, known as Central Operations. The directors have engaged forensic auditors to investigate whether a fraud has occurred and if so its magnitude and which years it relates to. That work has yet to be completed. Until the findings of this exercise are known it is not possible to obtain sufficient appropriate audit evidence about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error.

*Qualified opinion on financial statements*

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

*Emphasis of matter – going concern*

In forming our opinion on the financial statements we have considered the adequacy of the disclosure made in note 3 to the Group financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss before tax of US$13.1m during the year ended 30 June 2015 and, at that date, had net current liabilities of US$88.3m including the loan from Orion Mine Finance (Master) Fund I LP ("Orion"), in respect of which the Group was not in compliance with one of its covenants at that date, which was to produce 3,000 metric tonnes of copper cathode in a consecutive 3 month period by 30 June 2015. The non-compliance has subsequently been waived by Orion and the terms of the loan have subsequently been amended as disclosed in "Events Subsequent to Statement of Financial Position Date" in note 30. Under the terms of the amended loan the first instalment on Tranche B was due on 30 November 2015. Orion, Weatherly's largest shareholder and lender, confirmed it has agreed to defer both this and the next instalment due on 29 February 2016. If copper prices remain at current levels it is unlikely that the Group will generate sufficient surplus cash to meet subsequent loan repayments and the Group's going concern will be dependent on Orion's continued support, of which there is no certainty.

These conditions, along with the other matters explained in note 3 to the Group financial statements, indicate the existence of a material uncertainty which may cast significant doubt the Group's ability to continue as a going concern. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

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

In our opinion the information given in the Strategic Report and Directors' Report in 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*

In respect solely of the limitation on our work relating to the potential fraud within Central Operations, described above:

- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made.

*Other matter*

We have reported separately on the Parent Company financial statements of Weatherly International plc for the year ended 30 June 2015. That report includes an emphasis of matter.

**Christopher Smith**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
*22 December 2015*

# Consolidated Income Statement

## For the year ended 30 June 2015

| | Note | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|---|
| Revenue | 5 | 38,054 | 32,222 |
| Cost of sales | | (44,378) | (31,574) |
| Gross (loss) / profit | | (6,324) | 648 |
| Distribution costs | | (3,214) | (2,043) |
| Other operating income | 6 | 192 | 163 |
| Administrative expenses | | (3,550) | (3,416) |
| Operating loss | 8 | (12,896) | (4,648) |
| Foreign exchange loss | | (238) | (588) |
| Finance costs | 12 | (280) | (406) |
| Finance income | 11 | 55 | 70 |
| Loss before associated company | | (13,359) | (5,572) |
| Share of losses of associated company | 16 (b) | (185) | (158) |
| Loss before tax | | (13,544) | (5,730) |
| Tax charge | 13 | - | - |
| Loss for the year | | (13,544) | (5,730) |
| **Loss attributable to:** | | | |
| Owners of the parent | | (13,234) | (5,565) |
| Non- controlling interests | | (310) | (165) |
| | | (13,544) | (5,730) |
| **Earning per share** | | | |
| Loss per share | 14 | (1.77c) | (1.00c) |
| Diluted loss per share | 14 | (1.77c) | (1.00c) |

The notes on pages 33 to 67 form part of these financial statements.

## Consolidated Statement of Comprehensive Income
**At 30 June 2015**

| | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| Loss for the year | (13,544) | (5,730) |
| **Items that will not be reclassified subsequently to profit and loss** | | |
| Exchange differences on translation of non controlling interests | - | - |
| | - | - |
| **Items that may be reclassified subsequently to profit and loss** | | |
| Exchange differences on translation of foreign operations | (91) | (61) |
| | (91) | (61) |
| **Total comprehensive loss for the year** | **(13,635)** | **(5,791)** |
| **Total Comprehensive loss attributable to:** | | |
| Owners of the parent | (13,325) | (5,626) |
| Non- controlling interests | (310) | (165) |
| | (13,635) | (5,791) |

The notes on pages 33 to 67 form part of these financial statements.

# Consolidated Statement of Financial Position

## At 30 June 2015

| | Note | As at 30 June 2015 US$'000 | As at 30 June 2014 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 121,163 | 67,735 |
| Deferred Tax | 13 | 4,549 | 5,239 |
| Investment in associates | 16(b) | 1,902 | 2,178 |
| Trade and other receivables | 19 | 590 | 680 |
| Total non-current assets | | 128,204 | 75,832 |
| **Current assets** | | | |
| Inventories | 18 | 3,332 | 8,750 |
| Trade and other receivables | 19 | 11,271 | 4,211 |
| Cash and cash equivalents | 21 | 6,772 | 10,265 |
| | | 21,375 | 23,226 |
| Non current assets held for sale | 17 | 772 | 772 |
| | | 22,147 | 23,998 |
| **Total assets** | | **150,351** | **99,830** |
| **Current liabilities** | | | |
| Trade and other payables | 23 | 20,301 | 4,541 |
| Loans | 22 | 89,407 | 8,840 |
| Total current liabilities | | 109,708 | 13,381 |
| **Non-current liabilities** | | | |
| Loans | 22 | - | 47,917 |
| Total non-current liabilities | | - | 47,917 |
| **Total liabilities** | | **109,708** | **61,298** |
| **Net assets** | | **40,643** | **38,532** |
| **Equity** | | | |
| Issued capital | 24 | 8,676 | 5,250 |
| Share premium | | 22,132 | 9,998 |
| Merger reserve | | 18,471 | 18,471 |
| Share-based payments reserve | | 707 | 605 |
| Foreign exchange reserve | | (18,922) | (18,831) |
| Retained earnings | | 9,965 | 23,115 |
| **Equity attributable to shareholders of the parent company** | | 41,029 | 38,608 |
| Non-controlling interests | 25 | (386) | (76) |
| | | **40,643** | **38,532** |

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On behalf of the Board:
**J Bryant**
Chairman
Approved by the Board on 22 December 2015

The notes on pages 33 to 67 form part of these financial statements.

# Consolidated Statement of Changes in Equity

## For the year ended 30 June 2015

| | 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 2013** | **4,581** | **6,092** | **18,471** | **464** | **(18,770)** | **28,611** | **39,449** | **89** | **39,538** |
| Issue of Share capital | 669 | 4,046 | - | - | - | - | 4,715 | - | 4,715 |
| Share issue costs | - | (140) | - | - | - | - | (140) | - | (140) |
| Share-based payments | - | - | - | 210 | - | - | 210 | - | 210 |
| Lapsed options and warrants | - | - | - | (69) | - | 69 | - | - | - |
| Transactions with owners | 669 | 3,906 | - | 141 | - | 69 | 4,785 | - | 4,785 |
| Profit / (loss) for the period | - | - | - | - | - | (5,565) | (5,565) | (165) | (5,730) |
| **Other comprehensive income** | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | (61) | - | (61) | - | (61) |
| **Total comprehensive income for the year** | - | - | - | - | (61) | (5,565) | (5,626) | (165) | (5,791) |
| **Balance at 30 June 2014** | **5,250** | **9,998** | **18,471** | **605** | **(18,831)** | **23,115** | **38,608** | **(76)** | **38,532** |
| Issue of Share capital | 3,426 | 12,590 | - | - | - | - | 16,016 | - | 16,016 |
| Share issue costs | - | (456) | - | - | - | - | (456) | - | (456) |
| Share-based payments | - | - | - | 186 | - | - | 186 | - | 186 |
| Lapsed options and warrants | - | - | - | (84) | - | 84 | - | - | - |
| Transactions with owners | 3,426 | 12,134 | - | 102 | - | 84 | 15,746 | - | 15,746 |
| Profit / (loss) for the period | - | - | - | - | - | (13,234) | (13,234) | (310) | (13,544) |
| **Other comprehensive income** | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | (91) | - | (91) | - | (91) |
| **Total comprehensive income for the year** | - | - | - | - | (91) | (13,234) | (13,325) | (310) | (13,635) |
| **Balance at 30 June 2015** | **8,676** | **22,132** | **18,471** | **707** | **(18,922)** | **9,965** | **41,029** | **(386)** | **40,643** |

The notes on pages 33 to 67 form part of these financial statements.

# Consolidated Cash Flow Statement

## For the year ended 30 June 2015

| | Notes | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year on continuing activities | | (13,544) | (5,730) |
| Adjusted by: | | | |
| Depreciation | | 4,768 | 3,537 |
| Impairment of expenditure on development | | 3,192 | - |
| Share-based payment expenses | | 186 | 210 |
| Loss on disposal of assets | 8 | 69 | - |
| Loss of associated company | 16(b) | 185 | 158 |
| Finance costs | | 280 | 406 |
| Interest received | | (70) | (70) |
| | | **(4,934)** | **(1,489)** |
| Movements in working capital | | | |
| Decrease / (Increase) in inventories | | 5,418 | (1,463) |
| (Increase)/ decrease in trade and other receivables | | (7,060) | (476) |
| (Decrease) / Increase in working capital loans | | (6,004) | 2,455 |
| Increase in trade and other payables | | 16,931 | 458 |
| **Net cash generated / (used by) by operating activities** | | **4,351** | **(515)** |
| **Cash flows generated from investing activities** | | | |
| Interest received | | 70 | 70 |
| Payments for property, plant and equipment | | (61,560) | (46,049) |
| increase in pledged cash | | (1,267) | - |
| Receipts from disposals of property, plant and equipment | | 103 | - |
| **Net cash used in investing activities** | | **(62,654)** | **(45,979)** |
| **Cash flows from financing activities** | | | |
| Net proceeds from issue of share capital | | 15,560 | 4,575 |
| Repayment of loans | | (1,737) | (3,089) |
| Receipt of loans | | 40,391 | 48,238 |
| Interest paid and finance charges | | (280) | (406) |
| **Net cash generated by financing activities** | | **53,934** | **49,318** |
| **Increase/ (decrease) in cash** | | **(4,369)** | **2,824** |
| **Reconciliation to net cash** | | | |
| Net cash at 1 July | | 9,826 | 7,041 |
| (decrease) / increase in cash | | (4,369) | 2,824 |
| Foreign exchange gains | | (246) | (39) |
| **Net cash at 30 June** | 21 | **5,211** | **9,826** |

The notes on pages 33 to 67 form part of these financial statements.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2015

### 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 107-111 Fleet Street, London EC4A 2AB. 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 22 December 2015.

### 2. NEW ACCOUNTING STANDARDS AND AMENDMENTS

**Adoption of new and revised International Financial Reporting Standards**

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 2014.

**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 2018) (not yet EU adopted)
- IFRS 5 Non Current assets held for resale and discontinued operations (effective 1 January 2016)
- IFRS 7 Financial instrument: disclosures (effective 1 January 2016)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2016)
- IFRS 11 Joint Arrangements (effective 1 January 2016)
- IFRS 12 Disclosure of Interest in Other Entities (effective 1 January 2016)
- IFRS 14 Regulatory deferral accounts (effective 1 January 2016)
- IFRS 15 Revenue from Contracts from Customers (effective 1 January 2017)
- IAS 1 Presentation of Financial Statements (effective 1 January 2016)
- IAS 16 Property, Plant and Equipment (effective 1 January 2016)
- IAS19 Employee Benefits (effective 1 January 2016)
- IAS 27 Consolidated and Separate Financial Statements (effective 1 January 2016)
- IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2016)
- IAS 34 Interim Financial Reporting (effective 1 January 2016)
- IAS 38 Intangible Assets (effective 1 January 2016)

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (*continued)*

**Basis of Preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (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.

**Going Concern**

The Group incurred a loss before tax of US$13.1m during the year ended 30 June 2015 and, at that date, had net current liabilities of US$88.3m including the loan from Orion Mine Finance (Master) Fund I LP ("Orion"), in respect of which the Group was not in compliance with one of its covenants at that date, which was to produce 3,000 metric tonnes of copper cathode in a consecutive 3 month period by 30 June 2015. The non-compliance has subsequently been waived by Orion and the terms of the loan have subsequently been amended as disclosed in “Events Subsequent to Statement of Financial Position Date” in note 30.

Under the terms of the amended loan the first instalment on Tranche B was due on 30 November 2015. Orion, Weatherly’s largest shareholder and lender, confirmed it has agreed to defer both this and the next instalment due on 29 February 2016. If copper prices remain at current levels it is unlikely that the Group will generate sufficient surplus cash to meet subsequent loan repayments and the Group’s going concern will be dependent on Orion’s continued support, of which there is no certainty.

On 14th September the Group announced it had suspended production at its Otjihase and Matchless mines, Central Operations. There will be ongoing care and maintenance costs which will need to be funded from Tschudi and well as the costs of the holding company, Weatherly International.

In addition to deferring the payments due on 30th November 2015 and 29th February 2016, Orion provided a further US$4m loan on 18th December repayable within 350 days to meet the working capital requirements of the Group .

The directors believe that with the support of Orion to defer loan repayments, Tschudi can generate sufficient surplus funds for the group to remain as a going concern. However there are a number of uncertainties around the assumptions that have a potentially negative impact on the company’s ability to deliver the forecast cash flows.

These are:

- That Tschudi is able to achieve and maintain nameplate production levels of 1,400t of copper cathode a month throughout the period. The risks of not achieving this revolve around not being able to mine and process sufficient ore tonnes to achieve this output as well as the leach time and metallurgical recovery rates remaining in line with the feasibility study as we mine into different types of ore.
- Copper price fluctuations not having a further material adverse affect on the Group’s profitability.
- As the Group’s revenue streams are converted from US dollars to rand exchange rate fluctuations could have a material adverse effect on the Company’s profitability.
- The timing of income is uncertain. Sales are dependent on the date our customer, Orion, ships the copper cathode. The Group recovers VAT receipts in Namibia, the timing of which is uncertain.

The likely ongoing need for Orion’s support along with the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

**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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 bankable feasibility study and are then amortised over the life of the mine. Costs are annually reviewed for impairment.

**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 quotational 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 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 IAS39 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.

**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

**3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***

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;
- 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 are 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. Borrowing costs associated with the Tschudi project are capitalised until the project reaches commercial production. The will then be expensed over the life of the project.

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

**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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

**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.

**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, but 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**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.

**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.

**3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***

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 as 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.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held for trading or designated as 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 IAS39. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**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;
- “non-controlling interests” represents the amounts not attributable to the Parent Company.

**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.

## 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 Group incurred a loss before tax of US$13.1m during the year ended 30 June 2015 and, at that date, had net current liabilities of US$88.3m including the loan from Orion Mine Finance (Master) Fund I LP ("Orion"), in respect of which the Group was not in compliance with one of its covenants at that date, which was to produce 3,000 metric tonnes of copper cathode in a consecutive 3 month period by 30 June 2015. The non-compliance has subsequently been waived by Orion and the terms of the loan have subsequently been amended as disclosed in "Events Subsequent to Statement of Financial Position Date" in note 30.

Under the terms of the amended loan the first instalment on Tranche B was due on 30 November 2015. Orion, Weatherly's largest shareholder and lender, confirmed it has agreed to defer both this and the next instalment due on 29 February 2016. If copper prices remain at current levels it is unlikely that the Group will generate sufficient surplus cash to meet subsequent loan repayments and the Group's going concern will be dependent on Orion's continued support, of which there is no certainty.

On 14th September the Group announced it had suspended production at its Otjihase and Matchless mines, Central Operations. There will be ongoing care and maintenance costs which will need to be funded from Tschudi and well as the costs of the holding company, Weatherly International.

In addition to deferring the payments due on 30th November 2015 and 29th February 2016, Orion provided a further US$4m loan on 18th December repayable within 350 days to meet the working capital requirements of the Group.

The directors believe that with the support of Orion to defer loan repayments, Tschudi can generate sufficient surplus funds for the group to remain as a going concern. However there are a number of uncertainties around the assumptions that have a potentially negative impact on the company's ability to deliver the forecast cash flows.

These are:

- That Tschudi is able to achieve and maintain nameplate production levels of 1,400t of copper cathode a month throughout the period. The risks of not achieving this revolve around not being able to mine and process sufficient ore tonnes to achieve this output as well as the leach time and metallurgical recovery rates remaining in line with the feasibility study as we mine into different types of ore.
- Copper price fluctuations not having a further material adverse affect on the Group's profitability.
- As the Group's revenue streams are converted from US dollars to rand exchange rate fluctuations could have a material adverse effect on the Company's profitability.
- The timing of income is uncertain. Sales are dependent on the date our customer, Orion, ships the copper cathode. The Group recovers VAT receipts in Namibia, the timing of which is uncertain.

The likely ongoing need for Orion's support along with the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

**Sources of Estimation Uncertainty**

*Revenue*

The Group initially receives payment and takes revenue based on the copper content in the concentrate and cathode when it 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. In the case of cathode the final price is dependent on the average price over the next two months and in the case of concentrate it is based on the average price in either one months' time (M+1) or four months' time (M+4) based on the offtaker's biannual election. Final revenue will also be dependent on movements in exchange rates.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

The Group recognises revenue based on the initial invoice and amends it when the final invoice 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.

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 27.

*Deferred Tax asset*
The Group maintains a deferred tax asset on the basis of anticipated profits in future years. Deferred tax losses are recognised to the extent that future taxable profits are reasonably foreseeable and meet the definition of "probable". While the Group made a loss in the current year our cash flow and profit projections based on the Tschudi project that came into production in 2015, indicate that our deferred tax asset meets this criteria.

## 5. REVENUE

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

| | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| Sale of goods | 38,054 | 32,222 |
| **Total revenue** | 38,054 | 32,222 |

## 6. OTHER OPERATING INCOME

| | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| Property rental | 116 | 108 |
| Other | 76 | 55 |
| | 192 | 163 |

## 7. OPERATING SEGMENTS

In identifying its operating segments, management generally follows the physical location of its mines which is consistent with managements 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 Tschudi segment included the construction and acquisition of property plant and equipment to start up the Tschudi Open Pit mine.

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. Revenue and costs associated with the Tschudi Open Pit mine have been capitalised as disclosed in note 15.

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

**Year ended 30 June 2015**

| | Central Operations US$'000 | Tschudi US$'000 | Consolidated US$'000 |
|---|---|---|---|
| **Sales and other operating revenues** | | | |
| External sales | 38,054 | - | 38,054 |
| Segment revenues | 38,054 | - | 38,054 |

| **Segmental loss** | Central Operations US$'000 | Tschudi US$'000 | Consolidated US$'000 |
|---|---|---|---|
| Segmental operating loss | (10,500) | - | (10,500) |
| Unallocated corporate expenses | | | (2,396) |
| Unrealised foreign exchange loss | | | (238) |
| Interest expense | | | (280) |
| Interest income | | | 55 |
| | | | - |
| Loss before associated company | | | (13,359) |

| **Segmental costs** | Central Operations US$'000 | Tschudi US$'000 |
|---|---|---|
| Depreciation | 4,768 | - |

**Revenue by geographical area**

| | US$'000 |
|---|---|
| Switzerland | 38,049 |
| Southern Africa | 5 |
| | 38,054 |

The Group's revenues were to one customer in Switzerland and three in Southern Africa.

| | Central Operations US$'000 | Tschudi US$'000 | Total US$'000 |
|---|---|---|---|
| **Segment assets** | 17,530 | 126,685 | 144,215 |
| Unallocated Corporate assets | | | 6,136 |
| Total assets | | | 150,351 |

| **Non current assets by geographic area** | Central Operations US$'000 | Tschudi US$'000 |
|---|---|---|
| Namibia | 11,813 | 114,489 |

| Year ended 30 June 2014 | Central Operations US$'000 | Tschudi US$'000 | Consolidated US$'000 |
|---|---|---|---|
| **Sales and other operating revenues** | | | |
| External sales | 32,222 | - | 32,222 |
| Segment revenues | 32,222 | - | 32,222 |

| **Segmental loss** | Central Operations US$'000 | Tschudi US$'000 | Consolidated US$'000 |
|---|---|---|---|
| Segmental operating profit / (loss) | (2,487) | - | (2,487) |
| Unallocated expenses | | | (2,161) |
| Unrealised foreign exchange loss | | | (588) |
| Interest expense | | | (406) |
| Interest income | | | 70 |
| Profit before associated company | | | (5,572) |

| **Segmental costs** | Central Operations US$'000 | Tschudi US$'000 |
|---|---|---|
| Depreciation | 3,536 | - |

**Revenue by geographical area**

| | US$'000 |
|---|---|
| Switzerland | 32,038 |
| South Africa | 184 |
| | 32,222 |

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

| | Central Operations US$'000 | Tschudi US$'000 | Total US$'000 |
|---|---|---|---|
| **Segment assets** | 37,337 | 53,525 | 90,862 |
| Unallocated Corporate assets | | | 8,968 |
| Total assets | | | 99,830 |

| **Non current assets by geographic area** | Central Operations US$'000 | Tschudi US$'000 |
|---|---|---|
| Namibia | 23,769 | 49,885 |

## 8. OPERATING LOSS

| This is stated after charging/(crediting): | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| Depreciation of owned assets | 4,768 | 3,536 |
| Impairment of development expenditure | 3,191 | - |
| Staff costs (see note 10) | 6,408 | 4,774 |
| Loss on disposal of assets | 69 | - |
| Operating lease payments- equipment | 1,734 | 833 |
| Auditor's remuneration (note 9) | 107 | 118 |

## 9. AUDITOR'S REMUNERATION

The remuneration of the auditor is further analysed as follows:

| | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 60 | 73 |
| Fees payable to the company's auditor and its associates for other services: | | |
| The audit of the company's subsidiaries, pursuant to legislation | 47 | 42 |
| Other services | - | 3 |
| Total remuneration | 107 | 118 |

## 10. EMPLOYEES AND KEY MANAGEMENT

The total directors' emoluments for the year were US$835,000 (2014: US$809,000) and those of the highest paid director were US$535,000 (2014: US$527,000). Detailed disclosure of directors' remuneration is disclosed in the audited sections of the directors' remuneration report on pages 20 to 22.

### a) Staff numbers

| The average number of employees, including directors | Year ended 30 June 2015 | Year ended 30 June 2014 |
|---|---|---|
| Group: | No. | No. |
| Corporate UK | 8 | 9 |
| Namibia | | |
| Mining | 275 | 89 |
| **Average number of persons employed** | 283 | 98 |

### Staff costs

| | Year ended 30 June 2015 | Year ended 30 June 2014 |
|---|---|---|
| Aggregated remuneration comprised: | US$'000 | US$'000 |
| Wages and salaries | 9,039 | 4,245 |
| Social security costs | 143 | 109 |
| Pension contributions | 177 | 166 |
| Termination costs | - | 44 |
| Share-based payments | 186 | 210 |
| | 9,545 | 4,773 |
| Capitalised as part of the construction of the Tschudi open pit mine | (3,137) | - |
| Employment costs | 6,408 | 4,774 |

| Key Management remuneration | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| Short term employment benefits | 1,656 | 1,709 |
| Post employment benefits | 82 | 99 |
| Share- based payments | 43 | 40 |
| | 1,781 | 1,848 |

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.

## 11. FINANCE INCOME

| | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| Interest revenue: | | |
| Bank deposits | 55 | 70 |
| Total interest revenue | 55 | 70 |

## 12. FINANCE COSTS

| | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| Bank | 217 | 107 |
| Orion Mine Finance Tranche A / Louis Dreyfus Commodities Metals Suisse SA loans | 63 | 299 |
| Orion Mine Finance Tranche B | 6,426 | 1,764 |
| Finance charges capitalised as part of the construction of Tschudi open pit mine | (6,426) | (1,764) |
| Total interest expense | 280 | 406 |

## 13. INCOME TAX

| | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| (Loss) / Profit before tax | (13,544) | (5,730) |
| UK corporation tax @ 20.75% (2014: 22.5%) | (2,810) | (1,289) |
| Tax effects of: | | |
| Expenses not allowable for tax purposes | 147 | 114 |
| Non taxable income | 4,434 | - |
| Movement on unrecognised deferred tax | (1,771) | 1,175 |
| **Total income tax expense** | - | - |
| **Recognised deferred tax provision** | | |
| Tax losses - Namibia | - | (5,329) |
| | - | (5,329) |
| **Unrecognised deferred tax provision** | | |
| Accelerated capital allowances | 4,220 | 7,168 |
| Other temporary differences | 1,778 | 22 |
| Tax losses - UK | (2,331) | (2,441) |
| Tax losses - Namibia | (37,793) | (33,785) |
| **Unrecognised deferred tax asset** | (34,126) | (29,036) |
| **Gross tax losses** | | |
| UK | (11,655) | (11,624) |
| Namibia | (100,838) | (105,167) |
| | (112,493) | (116,791) |

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 date.

| Movement on deferred tax assets | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| At beginning of year | 5,239 | 5,629 |
| exchange movement | (690) | (390) |
| At end of year | 4,549 | 5,239 |

## 14. EARNINGS PER SHARE

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

| | Year ended 30 June 2015 US$'000 | Year ended 30 June 2014 US$'000 |
|---|---|---|
| Basic earnings per share (US cents) | (1.77c) | (1.00c) |
| Dilutive earnings per share (US cents) | (1.77c) | (1.00c) |
| Weighted average number of shares for basic earnings per share | 746,091,794 | 558,439,207 |
| Number of dilutive options | - | - |
| Weighted average number of shares for diluted earnings per share | 746,091,794 | 558,439,207 |

Both the basic and diluted earnings per share have been calculated using the earnings attributable to shareholders of the Parent Company, Weatherly International plc, a loss of US$ 13,234,000 (2014 loss of US$5,565,000) as the numerator, i.e. no adjustment to profit was necessary in either year.

For the year ended 30 June 2015, 44.6 million (2014: 22.4 million) potential ordinary shares have been excluded from the calculations of earnings per share as they are anti-dilutive.

## 15. PROPERTY, PLANT AND EQUIPMENT

**a)**

| | Freehold property | Plant and machinery | Developmen t costs | Assets under construction | Totals |
|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Cost: | | | | | |
| At 1 July 2013 | 15,407 | 15,569 | 8,102 | - | 39,078 |
| Transfer from Intangibles | - | - | - | 5,325 | 5,325 |
| Additions | - | 1,585 | 429 | 44,034 | 46,048 |
| At 30 June 2014 | 15,407 | 17,154 | 8,531 | 49,359 | 90,451 |
| Depreciation: | | | | | |
| At 1 July 2013 | (5,735) | (10,389) | (3,056) | - | (19,180) |
| Provided during the year | (856) | (2,144) | (536) | - | (3,536) |
| | | | | - | |
| At 30 June 2014 | (6,591) | (12,533) | (3,592) | - | (22,716) |
| **Net book value at 30 June 2014** | **8,816** | **4,621** | **4,939** | **49,359** | **67,735** |
| Cost: | | | | | |
| At 1 July 2014 | 15,407 | 17,154 | 8,531 | 49,359 | 90,451 |
| Additions | 950 | 12,707 | 28,669 | 20,799 | 63,125 |
| Transfer | 5,012 | 59,086 | 4,711 | (68,809) | - |
| Write off of development | - | - | (8,661) | - | (8,661) |
| Disposals | - | (215) | - | - | (215) |
| **At 30 June 2015** | **21,369** | **88,732** | **33,250** | **1,349** | **144,700** |
| Depreciation: | | | | | |
| At 1 July 2014 | (6,591) | (12,533) | (3,592) | - | (22,716) |
| Provided during the year | (944) | (3,512) | (1,877) | - | (6,333) |
| Write off of development | - | - | 5,469 | - | 5,469 |
| Disposals | - | 43 | - | - | 43 |
| **At 30 June 2015** | **(7,535)** | **(16,002)** | **-** | - | **(23,537)** |
| **Net book value at 30 June 2015** | **13,834** | **72,730** | **33,250** | **1,349** | **121,163** |

In accordance with IAS36 "Impairment of asset", the continued decline in the price of copper is considered an indication of impairment. On the basis an impairment review has been performed on the Group's two cash-generating units ("CGU") being Central Operations and Tschudi.

Central Operations

In the year Central Operations made a loss of US$7.3m before impairments and at current prices management do not believe it is profitable. On that basis management have decided to put the mine into care-and-maintenance until copper prices have recovered. In the year development costs of US$3.2m have therefore been impaired leaving US$9.6m of property, plant and equipment.

The impairment loss was based on a value in use calculation assessing cash-flows from 2016 to 2025. A period of 10 years has been chosen as this is consistent with the level of reserves and hence potential production. The pre-tax discount rate used in the value in use calculation was 9%.

Key assumptions used in determining value in use are:

- Copper price. Budgeted copper prices have been based on the mean of publically available, independent forecasts from a variety of well-known institutions. Using this mean, the budgeted copper price for 2016 is US$5,504 and for 2017 it is US$5,939. Prices are assumed to average US$6,690 over the 10 year period.
- The majority of costs are incurred in local Namibian currency and hence movements in the US$ have an impact. Using publically available, independent forecasts, budgeted exchange rates are 13.3.

Management has performed a 10% sensitivity analysis on the key variables such as copper price, exchange rates and production levels and the model is robust at this level. However adverse short term movements may have a detrimental effect on the company's going concern. These are discussed further in note 4.

Tschudi

As at 30 June 2015 the carrying value of the Tschudi CGU was US$122m. The impairment assessment was based on a value in use calculation assessing cash-flows from 2016 to 2025. A period of 10 years has been chosen as this is consistent with the level of reserves and hence potential production. The pre-tax discount rate used in the value in use calculation was 9%. No impairment has been identified.

Key assumptions used in determining value in use are:

- Copper price. Budgeted copper prices have been based on the mean of publically available, independent forecasts from a variety of well-known institutions. Using this mean, the budgeted copper price for 2016 is US$5,504 and for 2017 it is N$5,939. Prices are assumed to average US$6,690 over the 10 year period.
- The mine is expected to operate at 100% design capacity. True capacity is believed to be higher.
- The majority of costs are incurred in local Namibian currency and hence movements in the US$ have an impact. Using publically available, independent forecasts, budgeted exchange rates are 13.3

Management has performed a 10% sensitivity analysis on the key variables such as copper price, exchange rates and production levels and the model is robust at this level. However adverse short term movements may have a detrimental effect on the company's going concern. These are discussed further in note 4.

The following serve as security for borrowings:

| | Carrying Amount 2015 | Carrying Amount 2014 | Bond Amount 2015 | Bond Amount 2014 |
|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 |
| **Nature of property, plant and equipment** | | | | |
| Moveable mining assets of Ongopolo Mining Limited | 13,834 | 6,947 | 10,000 | 10,000 |
| Fixed plant in Namibia | 72,730 | 12,619 | 20,000 | 20,000 |

## 16. 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<br>(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 |
| Ralior Limited | 100 | Investment company | England and Wales | 100 ordinary £1 |
| 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 |
| Tschudi Mining (pty) Limited owned by Weatherly (Namibia SL) Limited | 100 | Miing services | Namibia | 100 ordinary shares of N$1.00 each. |
| 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**

Weatherly International plc owns 25% of China Africa Resources (CAR) an AIM listed mining company.

Summary of its financial position is as follows:

**Investment in associates**

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| | US$'000 | US$'000 |
| As at beginning of year | 2,178 | 2,396 |
| Loss of CAR in year | (185) | (158) |
| Exchange movement on translation of foreign operations | (91) | (60) |
| As at end of year | 1,902 | 2,178 |
| | | |
| Dividend per share (p) | - | - |

The summarised financial statements of CAR are:

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| | US$'000 | US$'000 |
| Property plant and equipment | 6 | 12 |
| Intangible assets | 5,973 | 6,355 |
| Total non current assets | 5,979 | 6,367 |
| | | |
| Receivables | 33 | 25 |
| Cash | 765 | 1,471 |
| Payables | (104) | (89) |
| | 694 | 1,407 |
| | | |
| **Net assets** | **6,673** | **7,774** |
| | | |
| Equity | 10,985 | 11,036 |
| Foreign exchange reserve | (1,120) | (757) |
| Retained deficit | (3,192) | (2,505) |
| **Equity and reserves** | **6,673** | **7,774** |
| | | |
| **Loss for the period** | (740) | (632) |

## 17. NON-CURRENT ASSETS HELD FOR SALE

Assets classified as non-current assets held for sale comprise properties sold at auction on 8 June 2009 and subject only to completion of the division of land. 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 unallocated assets in the segmental analysis.

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

## 18. INVENTORIES

| | 30 June 2015 US$'000 | 30 June 2014 US$'000 |
|---|---|---|
| Metal in concentrate on hand | 1,996 | 7,835 |
| Consumables | 1,336 | 915 |
| | 3,332 | 8,750 |

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

## 19. TRADE AND OTHER RECEIVABLES

| | 30 June 2015 US$'000 | 30 June 2014 US$'000 |
|---|---|---|
| Current trade and other receivables | | |
| Trade receivables | 496 | 3,078 |
| Prepayments and other receivables | 10,726 | 1,036 |
| VAT | 49 | 97 |
| | 11,271 | 4,211 |
| Non current trade and other receivables | | |
| Receivable for sale of non-controlling share of subsidiary (Note 20) | 590 | 680 |
| | 590 | 680 |
| Total receivables | 11,861 | 4,891 |

As at 30 June 2015 there were no trade receivables past due (2014: nil).

## 20. SALE OF NON-CONTROLLING INTEREST IN SUBSIDIARY

The Group sold a 2.5% minority share of Ongopolo Mining Ltd (OML) to Labour Investment Holdings (Pty) Ltd (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$590,000 at 30 June 2015 (30 June 2014 US$ 680,000) due to exchange differences.

## 21. CASH

| | 30 June 2015 US$'000 | 30 June 2014 US$'000 |
|---|---|---|
| Cash and short term deposits | 5,211 | 9,826 |
| Pledged Notice deposit | 1,561 | 439 |
| | 6,772 | 10,265 |

For the purpose of the cash flow statement the closing cash and cash equivalents comprise the following:

| | 30 June 2015 US$'000 | 30 June 2014 US$'000 |
|---|---|---|
| | 5,211 | 9,826 |

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

## 22. BORROWINGS

*Secured borrowings*

| | | 30 June 2015 US$'000 | 30 June 2014 US$'000 |
|---|---|---|---|
| **Secured borrowing at amortised cost** | | | |
| Orion Mine Finance Tranche A : Assumed Louis Dreyfus Commodities Metal Suisse SA working capital loan | | - | 1,430 |
| Short term portion of loan | | - | (1,430) |
| | | - | - |
| Orion Mine Finance Tranche B : Funding for Tschudi project | (a) | 88,192 | 47,801 |
| Short term portion of loan | | (88,192) | - |
| | | 0 | 47,801 |
| Louis Dreyfus Commodities Metal Suisse SA Inventory loan | (b) | 980 | 6,984 |
| Short term portion of loan | | (980) | (6,984) |
| | | **-** | **-** |
| First National Bank of Namibia Limited | | 235 | 542 |
| Short term portion of loan | | (235) | (426) |
| | | - | 116 |
| Total borrowings | | 89,407 | 56,757 |
| Short term portion | | (89,407) | (8,840) |
| | | - | 47,917 |

(a) The Group was not in compliance with one of the loan covenants at year end, to produce 3,000 metric tonnes of copper cathode in a consecutive 3 month period by 30 June 2015 ("project completion") and so the loan is disclosed as short term despite there being no notification from Orion that the Group was not in compliance. The Group achieved project completion on 31 August 2015. The non-compliance has subsequently been waived by Orion and the terms of the loan have subsequently been amended as disclosed in "Events Subsequent to Statement of Financial Position Date" in note 30. The revised repayment terms are described below.

(b) 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.

### 22. BORROWINGS *(continued)*

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

| | 30 June 2015 % | 30 June 2014 % |
|---|---|---|
| Orion Mine Finance Tranche A | - | 3.23% |
| Orion Mine Finance Tranche B | 9.00% | 9.00% |
| Louis Dreyfus Commodities Metal Suisse SA | 3.75% | 3.75% |
| First National Bank of Namibia Limited | 9.25% | 9.25% |

**Orion Mine Finance**

The loan is divided into 2 Tranches, A and B. Tranche A bore interest at US$ 3 month libor +3% and was denominated in US$. The loan was repaid in December 2014.

Tranche B bears interest at US$ 3 month libor +7% with libor at a minimum of 2%. The loan is disclosed as short term for the reason described in (a) above. The loan's repayment terms were revised on 18 December 2015, and paid quarterly between 31 May 2016 and 29 February 2020.The revised repayment schedule is for the first two payments to be half the level of the remaining payments.

The loan is secured by notarial and general bonds over the Namibian assets of the Group totalling US$30m, as well as pledge and cession of the shares of Ongopolo Mining Ltd and its parents below Weatherly International plc.

**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.

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

### 23. CURRENT TRADE AND OTHER PAYABLES

| | 30 June 2015 US$'000 | 30 June 2014 US$'000 |
|---|---|---|
| Trade payables | 20,187 | 4,369 |
| Other payables and accruals | 114 | 172 |
| | 20,301 | 4,541 |

## 24. SHARE CAPITAL

| Number of shares issued | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Number of shares in issue at beginning of the year | 616,605,145 | 536,571,808 |
| Shares issued during year | 444,198,047 | 80,033,337 |
| Number of shares in issue at end of the year | 1,060,803,192 | 616,605,145 |

| Allotted, called up and fully paid | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 |
|---|---|---|---|---|
| | US$ | US$ | £ | £ |
| Ordinary shares of 0.5p | 8,675,595 | 5,250,369 | 5,304,016 | 3,083,026 |
| | 8,675,595 | 5,250,369 | 5,304,016 | 3,083,026 |

The company issued the following shares and recorded the following movements in share capital in both US dollars and sterling:

| | | US$ | US$ | US$ | £ | £ | £ |
|---|---|---|---|---|---|---|---|
| | | Share capital | Share premium | Consideration | Share capital | Share premium | Consideration |
| 03/12/2015 | Equity raising | 1,251,175 | 6,068,200 | 7,319,375 | 803,209 | 3,895,565 | 4,698,774 |
| | Expenses of equity raising | - | (265,722) | (265,722) | - | (170,326) | (170,326) |
| 20/05/2015 | Equity raising | 1,300,000 | 3,900,000 | 5,200,000 | 859,447 | 2,578,341 | 3,437,788 |
| | Expenses of equity raising | - | (52,026) | (52,026) | - | (34,395) | (34,395) |
| 09/06/2015 | Equity raising | 874,050 | 2,622,150 | 3,496,200 | 558,333 | 1,675,000 | 2,233,333 |
| | Expenses of equity raising | - | (138,312) | (138,312) | - | (207,948) | (207,948) |
| **Total** | | **3,425,225** | **12,134,290** | **15,559,515** | **2,220,989** | **7,736,237** | **9,957,226** |

The outstanding warrants/options to subscribe for ordinary shares of the Company as at 30 June 2015 are as follows:

| Date of grant | Number of warrants/options | Price per warrant/ Option Pence | Expiry date |
|---|---|---|---|
| 01-Apr-10 | 6,500,000 | 3.00 | 1 April 2020 |
| 05-Aug-10 | 3,500,000 | 3.20 | 5 August 2020 |
| 16-Mar-11 | 1,500,000 | 10.00 | 16 March 2021 |
| 26-May-11 | 1,000,000 | 9.25 | 26 March 2021 |
| 18-Oct-11 | 1,000,000 | 6.00 | 18 October 2021 |
| 03-Dec-12 | 1,500,000 | 3.90 | 3 December 2022 |
| 28-Dec-12 | 1,500,000 | 5.40 | 28 December 2022 |
| 08-Mar-12 | 750,000 | 4.12 | 8 March 2022 |
| 19-Mar-12 | 1,000,000 | 5.00 | 30 October 2024 |
| 17-Jun-14 | 3,333,333 | 3.13 | 17 June 2024 |
| 13-Oct-14 | 14,800,000 | 3.38 | 13 October 2024 |
| 09-Dec-14 | 8,200,000 | 3.38 | 9 December 2024 |

## 25. NON-CONTROLLING INTERESTS

| | US$'000 |
|---|---|
| At 30 June 2013 | 89 |
| Share of loss of Weatherly Mining Namibia Ltd | (47) |
| Share of loss in Ongopolo Mining Limited | (118) |
| At 30 June 2014 | (76) |
| Share of loss of Weatherly Mining Namibia Ltd | (113) |
| Share of loss in Ongopolo Mining Limited | (197) |
| At 30 June 2015 | (386) |

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

## 26. CAPITAL COMMITMENTS

| | 30 June 2015 US$'000 | 30 June 2014 US$'000 |
|---|---|---|
| **Capital commitments** | | |
| Contracted for but not yet recognised in the financial statements | 2,397 | 32,296 |

## 27. 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 2015 | | At 30 June 2014 | |
|---|---|---|---|---|
| | Options | Weighted average exercise price pence | Options | Weighted average exercise price pence |
| Outstanding at start of period | 24,333,333 | 4.44 | 22,500,000 | 4.36 |
| Granted during the year | 23,000,000 | 3.38 | 3,333,333 | 3.13 |
| Forfeited/ Lapsed during the year | (2,750,000) | 5.69 | (1,500,000) | 7.37 |
| Outstanding at end of the period | 44,583,333 | 3.82 | 24,333,333 | 4.44 |
| Exercisable at end of the period | 19,333,333 | 4.23 | 19,500,000 | 4.30 |

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

The average life remaining of options over shares is 7.7 years at 30 June 2015 (2014: 7.0).

The fair value of the options was calculated using the Black–Scholes model as US$327,000. 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 |
|---|---|---|---|---|---|---|
| 30-Jun-14 | 0.7p | 3.38p | 3.38p | 66% | 10 | 0.40% |
| 30-Jun-14 | 1.1p | 3.38p | 3.38p | 66% | 10 | 0.62% |
| 30-Jun-14 | 1.4p | 3.38p | 3.38p | 66% | 10 | 0.92% |

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

The share price movements during the year were as follows: high of 3.88p, low of 0.88p and a closing share price at 30 June 2015 of 1.05p.

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 companies' 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.

## 28. 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.

Ongopolo Mining Ltd 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.

## 29. 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 2015 US$'000 | 30 June 2014 US$'000 |
| **Financial assets** | | |
| **Current** | | |
| Loans and receivables | | |
| Trade and other receivables | 496 | 3,083 |
| Cash and cash equivalents | 6,772 | 10,265 |
| | 7,268 | 13,348 |
| **Non-current** | | |
| Trade and other receivables | 590 | 680 |
| | 7,858 | 14,028 |
| **Financial liabilities** | | |
| **Current** | | |
| Amortised cost | 109,708 | 13,381 |
| **Non-current** | | |
| Amortised cost | - | 47,917 |
| | 109,708 | 61,298 |

As at 30 June 2015 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.

## 29. FINANCIAL INSTRUMENTS *(continued)*

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

**Year ended 30 June 2014**

| | Within 1 year US$'000 | 1-5 years US$'000 | More than 5 years US$'000 |
|---|---|---|---|
| **Floating rate** | | | |
| Loans | 8,947 | 55,535 | 10,637 |
| **Non interest bearing** | | | |
| Trade and other payables | 4,541 | - | - |

**Year ended 30 June 2015**

| | Within 1 year US$'000 | 1-5 years US$'000 | More than 5 years US$'000 |
|---|---|---|---|
| **Floating rate** | | | |
| Loans | 89,407 | - | - |
| **Non interest bearing** | | | |
| Trade and other payables | 20,301 | - | - |

## 29. FINANCIAL INSTRUMENTS *(continued)*

*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 Orion Mine Finance and 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 2015, 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 (2014: +/- 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.

| | 2015 US$'000 | 2014 US$'000 |
|---|---|---|
| | +1.0 Base points | +1.0 Base points |
| Net effect on after tax profits | 12 | 90 |
| Equity | 12 | 90 |

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 two recognised, creditworthy trading house. The income has been paid for with terms of 95% and 100% on the concentrate leaving Namibia, with 5% and 0% 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 2015 US$'000 | 30 June 2014 US$'000 | 30 June 2015 US$'000 | 30 June 2014 US$'000 |
| British pound | - | - | 594 | 3,165 |
| Namibian dollar | 235 | 542 | 8,184 | 6,678 |
| TOTAL | 236 | 542 | 8,778 | 9,843 |

## 29. FINANCIAL INSTRUMENTS *(continued)*

*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.

| | | British pound currency impact | | Namibian dollar currency impact | |
|---|---|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 |
| | | US$'000 | US$'000 | US$'000 | US$'000 |
| Effect on profit | -20% | (119) | (633) | (1,590) | (1,227) |
| | +20% | 119 | 633 | 1,590 | 1,227 |
| Effect on equity | -20% | (119) | (633) | (1,590) | (1,227) |
| | +20% | 119 | 633 | 1,590 | 1,227 |

*Commodity price risk*

The Group fixes the price on all 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:

| | 2015 | 2014 |
|---|---|---|
| | US$'000 | US$'000 |
| Net effect on after tax profits | 3,805 | 2,405 |
| Equity | 3,805 | 2,405 |

## 30. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

1. On 1 July 2015 Rod Webster retired as CEO of the company. He will continue to work with the Company as a Director in a development role. Craig Thomas has been appointed as Chief Executive Officer and has joined the Board of Directors of Weatherly. In addition, two further new appointments have been made to the Board of Directors, Krzysztof Szymczak, Managing Director of Logiman (Pty) Ltd, and Ray Jenner, Portfolio Director of Orion Resource Partners (USA) LP, have joined the Board of Weatherly.

2. On 14 September 2015 mining and processing of ore at Central Operations was suspended in light of the weak copper price. Central Operations is currently planned to be converted to Project Development status.

3. On 15 September 2015 the Group announced that it has executed an agreement for the drawdown of US$4 million under its master facility agreement with Orion Mine Finance (Master) Fund I LP ("Orion").

The key terms of Facility C include *inter alia* an interest rate of Libor plus 9% (with a minimum Libor of 2%) which remains unchanged from the terms originally agreed in respect of Facility C in 2013; a drawdown period of 60 days from signing; a due date 350 days after signing the Amendment and Restatement Agreement; and an arrangement fee of US$280,000 payable on or before 31 August 2016.

4. Subsequent to the year end the Group has identified a potential fraud within Central Operations. The Group has engaged forensic auditors to confirm whether a fraud has occurred and if so its magnitude. It is believed any fraud is contained within Central Operations and any loss to the company associated with this potential fraud in the year is contained within the income statement and that the Statement of Financial Position is unaffected. The staff suspected to be involved are no longer with the Group.

5. On 18 December 2015 the Group announced that it has executed an agreement for the drawdown of a further US$4 million under its master facility agreement with Orion Mine Finance (Master) Fund I LP ("Orion"). The key terms of Facility D include *inter alia* an interest rate of Libor plus 9% (with a minimum Libor of 2%); a drawdown period up to 31 March 2016, a due date 350 days after signing the Amendment and Restatement Agreement; and an arrangement fee of US$280,000 payable on the due date. At the same time the Group announced that commencement of repayments under Tranche B have been deferred and consequently that the first two payments of the loan due on 30 November 2015 and 29 February 2016 had been removed from the repayment schedule. The first repayment under Tranche B will be 31 May 2016 and quarterly thereafter until 29 February 2020. The revised repayment schedule is for the first two payments to be half the level of the remaining payments.

## 31. 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 China Africa Resources plc, an associate.

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| | US$'000 | US$'000 |
| Accounts receivable | 48 | 36 |
| Management fees receivable | 330 | 456 |

The following related party transactions occurred with Orion Mine Finance (Master) Fund I LP, a 24.6% shareholder of Weatherly International plc.

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| | US$'000 | US$'000 |
| Sales of cathode (accounted for as a reduction in development costs) | 13,106 | - |
| Capitalised interest on loan | 6,426 | 1,764 |
| Loans | 88,192 | 49,231 |

## 32. 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 commensurately 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 2015 | 30 June 2014 |
|---|---|---|
| | US$'000 | US$'000 |
| Total equity | 41,029 | 38,608 |
| Borrowings | 89,407 | 56,757 |
| | 130,436 | 95,365 |

The Group'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 Statement on page 3.

**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 2015 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 68, 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 FRC's website at www.frc.org.uk/auditscopeukprivate.

*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 2015;
- 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.

*Emphasis of matter – going concern*
In forming our opinion on the financial statements we have considered the adequacy of the disclosure made in note 33 to the financial statements concerning the company's ability to continue as a going concern. The Group incurred a loss before tax of US$13.1m during the year ended 30 June 2015 and, at that date, had net current liabilities of US$88.3m including the loan from Orion Mine Finance (Master) Fund I LP ("Orion"), in respect of which the Group was not in compliance with one of its covenants at that date, which was to produce 3,000 metric tonnes of copper cathode in a consecutive 3 month period by 30 June 2015. The non-compliance has subsequently been waived by Orion and the terms of the loan have subsequently been amended as disclosed in "Events Subsequent to Statement of Financial Position Date" in note 30. Under the terms of the amended loan the first instalment on Tranche B was due on 30 November 2015. Orion, Weatherly's largest shareholder and lender, confirmed it has agreed to defer both this and the next instalment due on 29 February 2016. If copper prices remain at current levels it is unlikely that the Group will generate sufficient surplus cash to meet subsequent loan repayments and the Group's going concern will be dependent on Orion's continued support, of which there is no certainty.

These conditions, along with the other matters explained in note 33 to the parent company financial statements, indicate the existence of a material uncertainty which may cast significant doubt the company's ability to continue as a going concern. The parent company financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

*Opinion on other matter prescribed by the Companies Act 2006*
In our opinion the information given in the Strategic Report and 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 2015. That report is modified and includes an emphasis of matter in relation to going concern.

**Christopher Smith**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
22 December 2015

# Company Balance Sheet

## At 30 June 2015

| | Note | As at 30 June 2015 US$'000 | As at 30 June 2014 US$'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 37 | 39,097 | 39,097 |
| Debtors- amounts due greater than 1 year | 38 | 55,312 | 55,851 |
| Total fixed assets | | 94,409 | 94,948 |
| **Current assets** | | | |
| Debtors- amounts due less than 1 year | 38 | 676 | 410 |
| Cash at bank and in hand | | 2,851 | 5,571 |
| Total current assets | | 3,527 | 5,981 |
| **Creditors** | | | |
| Amounts falling due within one year | 39 | 362 | 508 |
| | | 362 | 508 |
| Net current assets | | 3,165 | 5,473 |
| **Net assets** | | **97,574** | **100,421** |
| **Capital and reserves** | | | |
| Called up share capital | 43 | 8,676 | 5,250 |
| Share premium | 43 | 22,132 | 9,998 |
| Merger reserve | 43 | 18,471 | 18,471 |
| Share- based payments reserve | 43 | 707 | 605 |
| Profit and loss account | 43 | 47,588 | 66,097 |
| | | **97,574** | **100,421** |

The parent entity financial statements of Weatherly International plc were approved for issue by the Board of Directors on 22 December 2015 and signed on behalf of the board by John Bryant.

......................................................................

**J Bryant**
Chairman

The notes on pages 71 to 76 form part of these financial statements.

**Company registration no. 03954224**

# Notes to the Parent Company Financial Statements

## For the year ended 30 June 2015

### 33. 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.

### 34. 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 22 December 2015.

The financial statements are prepared under the historical cost convention.

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

**Going Concern**

The Group incurred a loss before tax of US$13.1m during the year ended 30 June 2015 and, at that date, had net current liabilities of US$88.3m including the loan from Orion Mine Finance (Master) Fund I LP ("Orion"), in respect of which the Group was not in compliance with one of its covenants at that date, which was to produce 3,000 metric tonnes of copper cathode in a consecutive 3 month period by 30 June 2015. The non-compliance has subsequently been waived by Orion and the terms of the loan have subsequently been amended as disclosed in "Events Subsequent to Statement of Financial Position Date" in note 30.

Under the terms of the amended loan the first instalment on Tranche B was due on 30 November 2015. Orion, Weatherly's largest shareholder and lender, confirmed it has agreed to defer both this and the next instalment due on 29 February 2016. If copper prices remain at current levels it is unlikely that the Group will generate sufficient surplus cash to meet subsequent loan repayments and the Group's going concern will be dependent on Orion's continued support, of which there is no certainty.

On 14th September the Group announced it had suspended production at its Otjihase and Matchless mines, Central Operations. There will be ongoing care and maintenance costs which will need to be funded from Tschudi and well as the costs of the holding company, Weatherly International.

In addition to deferring the payments due on 30th November 2015 and 29th February 2016, Orion provided a further US$4m loan on 18th December repayable within 350 days to meet the working capital requirements of the Group .

The directors believe that with the support of Orion to defer loan repayments, Tschudi can generate sufficient surplus funds for the group to remain as a going concern. However there are a number of uncertainties around the assumptions that have a potentially negative impact on the company's ability to deliver the forecast cash flows.

These are:

- That Tschudi is able to achieve and maintain nameplate production levels of 1,400t of copper cathode a month throughout the period. The risks of not achieving this revolve around not being able to mine and process sufficient ore tonnes to achieve this output as well as the leach time and metallurgical recovery rates remaining in line with the feasibility study as we mine into different types of ore.
- Copper price fluctuations not having a further material adverse affect on the Group's profitability.
- As the Group's revenue streams are converted from US dollars to rand exchange rate fluctuations could have a material adverse effect on the Company's profitability.
- The timing of income is uncertain. Sales are dependent on the date our customer, Orion, ships the copper cathode. The Group recovers VAT receipts in Namibia, the timing of which is uncertain.

The likely ongoing need for Orion's support along with the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the parent's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The parent financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

***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;
- 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.

***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.

The cost of share based payments to employees and directors of subsidiary companies are recognised in the accounts of the parent company

***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.

### *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 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.

## 35. OPERATING PROFIT

Auditor's remuneration relating to the parent entity amounted to US$60,000 (2014: US$72,000).

## 36. DIRECTORS' REMUNERATION

During the year, no directors (2014: nil) participated in defined benefit pension schemes and one director (2014: one) participated in money-purchase pension schemes.

| | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|
| Emoluments | 613 | 551 |
| Contributions to money purchase schemes | 45 | 63 |
| | 658 | 614 |
| Fees of highest paid director | 316 | 269 |

## 37. INVESTMENTS

| | 30 June 2015 US$ '000 | 30 June 2014 US$ '000 |
|---|---|---|
| **Fixed asset investments** | | |
| opening balance | 39,097 | 39,097 |
| investments in the year | - | - |
| closing balance | 39,097 | 39,097 |

For a listing of the subsidiaries, see note 16 (a).

In accordance with FRS11 "Impairment of fixed assets and goodwill", the continued decline in the price of copper is considered an indication of impairment. On this basis an impairment review has been performed on the Group's investment in subsidiaries. Amounts due from subsidiaries have also been included in that assessment.

The impairment assessment was based on a value in use calculation assessing subsidiary cash-flows from 2016 to 2025. A period of 10 years has been chosen as this is consistent with the level of reserves in subsidiary mines and hence potential production.

An impairment was identified and has been taken against the non-current portion of intercompany debtors. The amount of the impairment was $17,228,000.

## 38. DEBTORS

| **Debtors due within one year** | 30 June 2015 US$ '000 | 30 June 2014 US$ '000 |
|---|---|---|
| Trade debtors | 65 | 119 |
| Prepayments and other debtors | 562 | 194 |
| VAT | 49 | 97 |
| Total current | 676 | 410 |
| **Debtors due after more than one year** | | |
| Amount due from subsidiary undertakings (see note 46) | 55,312 | 55,851 |
| Total non-current | 55,312 | 55,851 |
| Total debtors | 55,988 | 56,261 |

## 39. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 30 June 2015 US$'000 | 30 June 2014 US$'000 |
|---|---|---|
| Trade creditors | 248 | 338 |
| Other creditors and accruals | 114 | 170 |
| | 362 | 508 |

## 40. SUBSIDIARIES

Details of the Company's subsidiaries at 30 June 2015 are as included in the consolidated Group accounts under note 16 (a).

## 41. FINANCIAL ASSETS

*Loans to other Group entities*
At the balance sheet date amounts receivable from the fellow Group companies were US$55.3 million (2014: US$55.9 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$27.7 million (2014: 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.

## 42. 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 (2014: US$ Nil)

## 43. 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 2013** | **4,581** | **6,092** | **18,471** | **464** | **66,645** | **96,253** |
| Profit for the year | - | - | - | - | (617) | (617) |
| Lapsed options and warrants | - | - | - | (69) | 69 | - |
| Share-based payments | - | - | - | 210 | - | 210 |
| Issue of ordinary shares | 669 | 4,046 | - | - | - | 4,715 |
| Share issue costs | - | (140) | - | - | - | (140) |
| **At 30 June 2014** | 5,250 | 9,998 | 18,471 | 605 | 66,097 | 100,421 |
| Profit for the year | - | - | - | - | (18,593) | (18,593) |
| Lapsed options and warrants | - | - | - | (84) | 84 | - |
| Share-based payments | - | - | - | 186 | - | 186 |
| Issue of ordinary shares | 3,426 | 12,590 | - | - | - | 16,016 |
| Share issue costs | - | (456) | - | - | - | (456) |
| **At 30 June 2015** | 8,676 | 22,132 | 18,471 | 707 | 47,588 | 97,574 |

## 44. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss for the year dealt with in the accounts of the Parent Company, Weatherly International plc, was US$18,593,000 (2014: profit of US617,000). As permitted by section 408 of the Companies Act 2006, no separate profit or loss account is presented in respect of the Parent Company.

## 45. POST BALANCE SHEET EVENTS

On 1 July 2015 Rod Webster retired as CEO of the company. He will continue to work with the Company as a Director in a development role. Craig Thomas has been appointed as Chief Executive Officer and has joined the Board of Directors of Weatherly. In addition, two further new appointments have been made to the Board of Directors, Krzysztof Szymczak, Managing Director of Logiman (Pty) Ltd, and Raymond Jenner, Portfolio Director of Orion Resource Partners (USA) LP, have joined the Board of Weatherly.

## 46. RELATED PARTY TRANSACTIONS

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

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| | US$'000 | US$'000 |
| Debtors | 55,312 | 55,851 |
| Management fees received | 2,400 | 2,400 |
| Interest received | 289 | 246 |

The following related party transactions occurred with China Africa Resources plc, an associated company.

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| | US$'000 | US$'000 |
| Debtors | 48 | 36 |
| Management fees received | 330 | 456 |

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

# Company Information

| | |
|---|---|
| **Directors** | J Bryant (Non-executive Chairman)<br>C R Thomas (Chief Executive Officer)<br>R J Webster (Business Development Director)<br>W G Martinick (Non-executive)<br>R W Jenner (Non-executive)<br>A J Stephens (Senior Independent Non-executive)<br>C G Stavrakis (Non-executive)<br>K Szymczak (Non- executive) |
| **Secretary** | K S Ellis |
| **Registered office** | 107-111 Fleet Street<br>London EC4A 2AB |
| **Registered number** | **0**3954224 (England and Wales) |
| **Auditor** | Grant Thornton UK LLP<br>The Explorer Building<br>Fleming Way<br>Manor Royal<br>Crawley RH10 9GT |
| **Bankers** | Bank of Scotland<br>St James's Gate<br>14–16 Cockspur Street,<br>London SW1Y 5BL |
| **Solicitors** | Cooley (UK) LLP<br>Dashwood<br>69 Old Broad Street<br>London<br>SW1Y 5BL |
| **Nominated adviser and Broker** | RFC Ambrian<br>Condor House<br>10 St Pauls Churchyard<br>London EC4M 8AL |
| **Joint Broker** | finnCap<br>60 New Broad Street<br>London EC2M 1JJ |
| **Registrars** | Capita Registrars<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU |
| **Website** | www.weatherlyplc.com |
| **TIDN** | WTI.L |