WEATHERLY
INTERNATIONAL PLC

BUILDING FUTURE CAPACITY

Interim Report
for the period 1 July 2014 to 31 December 2014

Contents

HIGHLIGHTS

Financial

- Revenue of US$22.4 million for the period, compared to US$19.3 million for the same period in 2013. An increase of 16 per cent.
- Gross loss for the period US$408,000 leading to an operating loss for the half year of US$4.0 million.
- The Company, as of 31 December 2014, had cash reserves of approximately US$10.8 million, excluding US$ 3.7m of cash held relating to draw downs under the Orion Mine Finance loan.
- The Company commenced mining and stockpiling ore at Tschudi.
- The final part of tranche A of the working capital loan from Orion had been repaid amounting to US$0.83 million.
- The Company drew down US$73 million of its US$80 million facility with Orion Mine Finance (Master) Fund 1 LP.
- Capital raisings included US$2.6m from new investor, Polo Resources Ltd, and US$2.3m from Logiman for a total of US$7.3m.
- Appointment of finnCap as joint brokers to the Company, together with RFC Ambrian.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

JOHN BRYANT
Non-Executive Chairman

ROD WEBSTER
Chief Executive Officer

We are delighted to have Polo as a cornerstone investor

Although at the time of writing, Weatherly shares are suspended from trading on AIM (at the Company's request) it is worthwhile reflecting on the significant progress we made in the period.

At the Tschudi project large sections of the plant were commissioned before Christmas, and it subsequently produced its first copper in February 2015, well ahead of the original schedule.

We are delighted to have Polo as a cornerstone investor which is a welcome vote of confidence not only in the Tschudi project but in Weatherly. Logiman, the contractor for the plant construction at Tschudi, also followed their previous subscription in the open offer.

Events Subsequent to the Statement of Financial Position Date

Weatherly's Tschudi mine produced its first copper cathode on February 16, well ahead of schedule. However, the Company's initial copper recoveries were lower than anticipated due to slower leach rates and also higher than anticipated acid consumption. The uppermost part of the Tschudi deposit comprises 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 12m of the deposit and it was to be stockpiled for later blending and processing.

Mining of the deposit and evaluation of results from the recent grade control drilling shows that this material extends to depths of 25-30m. Mining in some of the pits is now below this depth and there has been a significant increase in both leaching rates and recoveries as a result. Some of the shallow, more refractory ore is now being stockpiled for later treatment with the rest being blended with deeper material to improve recoveries and leach rates. Additionally, mining is being accelerated to access the deeper levels earlier than originally scheduled.

The Company has revised its short-term copper production schedule to take into account the impact of the lower initial production and has discussed this with Orion Mine Finance. It is currently anticipated that as a consequence Tschudi will reach its target run rate in Q4, 2015. Further work is underway by the Company to validate the assumptions behind the revised copper production schedule.

The Company has suspended its shares until it is in a position to quantify the full financial effect of the above and can confirm it has sufficient financial resources to meet its short term needs and loan repayments.

The impact of the above and other matters that affect the Group's going concern are covered in note 1(c).

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 JULY TO 31 DECEMBER 2014

	Note	6 months to 31 Dec 2014 US$'000	6 months to 31 Dec 2013 US$'000	Year ended 30 Jun 2014 US$'000 Audited
Revenue		22,496	19,303	32,222
Cost of sales		(22,904)	(18,051)	(31,574)
Gross (loss) / profit		(408)	1,252	648
Distribution costs		(1,905)	(1,177)	(2,043)
Other operating income		114	83	163
Administrative expenses		(1,844)	(1,763)	(3,416)
Operating loss		(4,043)	(1,605)	(4,648
Foreign exchange loss		(950)	(721)	(588)
Finance costs	3	(160)	(293)	(406)
Finance income		34	34	70
Loss before results of associated company		(5,119)	(2,585)	(5,572)
Share of losses of associated company	4	(109	(60)	(158)
Loss before tax		(5,228)	(2,645)	(5,730)
Tax credit		–	–	–
Loss for the year		(5,228)	(2,645)	(5,730)
Loss attributable to:				
Owners of the Parent		(5,124)	(2,555)	(5,565)
Non controlling interests		(104)	(90)	(165)
Total and continuing loss per share				
Basic loss per share (US cents)	8	(0.8)	(0.47)	(1)
Diluted loss per share (US cents)	8	(0.8)	(0.47)	(1)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JULY TO 31 DECEMBER 2014

	6 months to 31 Dec 2014 US$'000	6 months to 31 Dec 2013 US$'000	Year ended 30 Jun 2014 US$'000 Audited
Loss for the year	(5,228)	(2,645)	(5,730)
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating of foreign operations	(54)	–	(61)
	(54)	–	(61)
Total Comprehensive loss for the period	(5,282)	(2,645)	(5,791)
Total comprehensive loss attributable to:			
Owners of the Parent	(5,178)	(2,555)	(5,626)
Non controlling interests	(104)	(90)	(165)
	(5,282)	(2,645)	(5,791)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	6 months to 31 Dec 2014 US$'000	6 months to 31 Dec 2013 US$'000	Year ended 30 Jun 2014 US$'000 Audited
Assets				
Non-current assets				
Property, plant and equipment	6	91,568	41,711	67,735
Deferred Tax		4,805	5,296	5,239
Investments in associates		2,015	2,337	2,178
Trade and other receivables		623	687	680
		99,011	50,031	75,832
Current assets				
Inventories		8,971	5,297	8,750
Trade and other receivables		6,914	4,907	4,211
Cash and cash equivalents		14,503	10,852	10,265
		30,388	21,056	23,226
Non current assets held for sale	7	772	772	772
		31,160	21,828	23,998
Total assets		130,171	71,859	99,830
Current liabilities				
Trade and other payables		9,235	3,645	4,541
Loans		2,506	3,312	1,856
Inventory Loans		2,736	2,958	6,984
		14,477	9,915	13,381
Non-current liabilities				
Loans		75,323	23,282	47,917
		75,323	23,282	47,917
Total liabilities		89,800	33,197	61,298
Net assets		40,371	38,662	38,532
Equity				
Issued capital	5	6,502	4,883	5,250
Share premium reserve	5	15,795	7,490	9,998
Merger reserve		18,471	18,471	18,471
Share-based payments reserve		677	533	605
Foreign exchange reserve		(18,885)	(18,770)	(18,831)
Retained earnings		17,991	26,056	23,115
Equity attributable to shareholders of the parent company		40,551	38,663	38,608
Non controlling interests		(180)	(1)	(76)
		40,371	38,662	38,532

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JULY TO 31 DECEMBER 2014

	Issued capital $'000	Share premium $'000	Merger reserve $'000	Share-based payment reserve $'000	Translation of foreign operations $'000	Retained earnings $'000	Subtotal $'000	Non-controlling interests $'000	Total equity $'000
At 1 July 2013	4,581	6,092	18,471	464	(18,770)	28,611	39,449	89	39,538
Share capital raised	302	1,398	–	–	–	–	1,700	–	1,700
Share-based payments	–	–	–	69	–	–	69	–	69
Transactions with owners	302	1,398	–	69	–	–	1,769	–	1,769
Loss for the period	–	–	–	–	–	(2,555)	(2,555)	(90)	(2,645)
Other comprehensive income									
Exchange difference on translation of foreign entities	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the period	–	–	–	–	–	(2,555)	(2,555)	(90)	(2,645)
At 31 December 2013	4,883	7,490	18,471	533	(18,770)	26,056	38,663	(1)	38,662
At 1 July 2013	4,581	6,092	18,471	464	(18,770)	28,611	39,449	89	39,538
Share capital raised	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
Loss for the period	–	–	–	–	–	(5,565)	(5,565)	(165)	(5,730)
Other comprehensive income									
Exchange difference on translation of foreign entities	–	–	–	–	(61)	–	61)	–	(61)
Total comprehensive loss for the period	–	–	–	–	(61)	(5,565)	(5,626)	(165)	(5,791)
At 30 June 2014	5,250	9,998	18,471	605	(18,831)	23,115	38,608	(76)	38,532
At 1 July 2014	5,250	9,998	18,471	605	(18,831)	23,115	38,608	(76)	38,532
Share capital raised	1,252	6,068	–	–	–	–	7,320	–	7,320
Share issue costs		(271)					(271)		(271)
Share-based payments	–	–	–	72	–	–	72	–	72
Transactions with owners	1,252	5,797	–	72	–	–	7,121	–	7,121
Loss for the period	–	–	–	–	–	(5,124)	(5,124)	(104)	(5,228)
Other comprehensive income									
Exchange difference on translation of foreign entities	–	–	–	–	(54)	–	(54)		(54)
Total comprehensive loss for the period	–	–	–	–	(54)	(5,124)	(5,178)	(104)	(5,282)
At 31 December 2014	6,502	15,795	18,471	677	(18,885)	17,991	40,551	(180)	40,371

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD FROM 1 JULY TO 31 DECEMBER 2014

	Note	6 months to 31 Dec 2014 US$'000	6 months to 31 Dec 2013 US$'000	Year ended 30 Jun 2014 US$'000 Audited
Cash flows from operating activities				
Loss for the year before tax		(5,228)	(2,645)	(5,730)
Adjusted by:				
Depreciation and amortisation		2,296	1,982	3,537
Share-based payment expenses		72	69	210
Unrealised exchange losses		1,258	-	-
Loss of associated company		109	60	158
Exchange movement on pledged cash		24	24	-
Finance costs		160	293	406
Finance income		(34)	(34)	(70)
		(1,343)	(251)	(1,489)
Movements in working capital				
(Increase) / decrease in inventories		(221)	1,990	(1,463)
Increase in trade and other receivables		(2,647)	(1,171)	(476)
(Decrease) / Increase in working capital loans		(4,248)	929	2,455
Increase / (decrease) in trade and other payables		4,694	(1,056)	458
Net cash used in by operating activities		(3,765)	441	(515)
Cash flows used in investing activities				
Interest received		34	34	70
Payments for intangibles, property, plant and equipment		(26,129)	(18,470)	(46,049)
Net cash used in investing activities		(26,095)	(18,436)	(45,979)
Cash flows from financing activities				
Equity raise		7,049	1,700	4,575
Repayment of loans		(1,430)	(1,710)	(3,089)
Receipt of loans		29,486	21,179	48,238
Interest and finance charges		(160)	(293)	(406)
Net cash from financing activities		34,945	20,876	49,318
Increase in cash		5,085	2,881	2,824
Reconciliation to net cash				
Cash at beginning of period		9,826	7,041	7,041
Increase in cash		5,085	2,881	2,824
Foreign exchange (losses) / gains		(823)	495	(39)
Net cash at end of period		14,088	10,417	9,826
Cash balance for cashflow purposes		14,088	10,417	9,826
Cash held for payment guarantees		415	435	439
Cash in balance sheet		14,503	10,852	10,265

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JULY TO 31 DECEMBER 2014

1. a. Basis of preparation
These interim condensed consolidated financial statements are for the six months ended 31 December 2014. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2014. The information included in these interim condensed consolidated financial statements in respect of the year ended 30 June 2014 does not constitute all the information required for annual statutory accounts at that date.

These financial statements have been prepared under the historical cost convention, except for revaluation of certain properties and financial instruments.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2014.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

b. Nature of operations and general information
Weatherly International plc and its subsidiaries' ("the group") principal activities include the mining and sale of copper concentrate.

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

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

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors on 19 March 2015.

The financial information for the period ended 31 December 2014 set out in this interim report does not constitute statutory accounts as defined by the Companies Act 2006. The Group's statutory financial statements for the year ended 30 June 2014 have been filed with the Registrar of Companies.

c. Going Concern
Weatherly's future financial performance is contingent on revenues received from the sale of copper and the Company is exposed to fluctuations in the copper price.

At Central Operations, low copper prices, combined with poor production in January and February, resulted in losses, although these were covered by the Company's available working capital. At the targeted run rate of approximately 500 tonnes of copper per month, Central Operations is expected to be cash flow neutral assuming no further deterioration in copper prices from current prices (approx.US$5,800/tonne). The Company continues to closely monitor the situation.

Orion Mine Finance has provided the final cash call of US$4m in respect of Tranche B of the Tschudi Loan (total drawdown under Tranche B is US$80m). Weatherly has not drawn down on Tranche C, which is a project overrun facility of US$8m which requires the Company to contribute on a dollar for dollar basis. The Company's current cash reserves, which as at 1 March 2015 were US$8.7m (excluding drawdowns under the Orion Mine Finance Loan), are sufficient to allow full utilisation of this facility and the Company's working capital position is reliant on Tranche C (or equivalent facilities) being made available to it as the Tschudi project ramps up to full production. However, these facilities may not be enough to meet the future working capital requirements should copper prices, or other operational factors affecting the Company's financial position deteriorate. For this reason continuing discussions with Orion Mine Finance may lead to subsequent amendments to the current loan arrangements. As a consequence, the Company's financial position remains uncertain and the trading in the Company's shares on AIM remain suspended pending further announcements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JULY TO 31 DECEMBER 2014 CONTINUED

2. Segmental reporting

Business segments
In identifying its operating segments, management generally follows the physical location of its mines.

The activities undertaken by the Central Operations segment include the sale of extracted copper from Otjihase and Matchless mines. 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. 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 group's operations are located in Namibia and the UK. The operating segments are located in Namibia, while the corporate function is carried out in London.

Segment information about these businesses is presented below.

Period ended 31 December 2014

Sales and other operating revenues	Central Operations US$'000	Tschudi US$'000	Consolidated US$'000
External sales	22,496	–	22,496
Segment revenues	22,496	–	22,496

Segmental loss	Central Operations US$'000	Tschudi US$'000	Consolidated US$'000
Segmental operating loss	(2,788)	–	(2,788)
Unallocated expenses			(1,255)
Unrealised foreign exchange gain			(950)
Interest expense			(160)
Interest income			34
Loss before results of associated company			(5,119)

	Central Operations US$'000	Tschudi US$'000	Total US$'000
Segment assets	35,579	82,272	117,851
Unallocated assets			12,320
Total assets			130,171

2. *Segmental reporting* continued

Year ended 30 June 2014 (Audited)

Sales and other operating revenues	Central Operations US$'000	Tschudi US$'000	Consolidated US$'000
External sales	32,222	–	32,222
Segment revenues	32,222	–	32,222
Segmental profit			
Segmental operating profit	(2,487)	–	(2,487)
Unallocated expenses			(2,161)
Unrealised foreign exchange loss			(588)
Interest expense			(406)
Interest income			70
Loss before results of associated company			(5,572)
Segment assets	37,337	53,525	90,862
Unallocated Corporate assets			8,968
Total assets			99,830

Period ended 31 December 2013

Sales and other operating revenues	Central Operations US$'000	Tschudi US$'000	Consolidated US$'000
External sales	19,303	–	19,303
Segment revenues	19,303	–	19,303
Segmental profit			
Segmental operating profit	(33)	–	(33)
Unallocated expenses			(1,572)
Unrealised foreign exchange gain			(721)
Interest expense			(293)
Interest income			34
Profit before results of associated company			(2,585)
Segment assets	63,351	497	63,848
Unallocated Corporate assets			8,011
Total assets			71,859

3. Finance costs

	6 months to 31 Dec 2014 US$'000	6 months to 31 Dec 2013 US$'000	Year ended 30 June 2014 US$'000 Audited
Bank	37	68	107
Orion Mine Finance Tranche A/ Louis Dreyfus Commodities Metals Suisse SA Loans	123	225	299
Orion Mine Finance Tranche B	2,671	260	1,764
Finance costs capitalised as part of the construction of the Tschudi open pit	(2,671)	(260)	(1,764)
Total finance costs	160	293	406

4. Share of losses of associated company

The 31 December 2014 loss of US$109,000 is based on the annual and half year financial statements published by China Africa Resources plc.

5. Share issues

	Number	US$
At 30 June 2013	536,571,808	10,673
Issue of shares	36,733,337	1,700
At 31 December 2013	573,305,145	12,373
Issue of shares	43,300,000	2,875
At 30 June 2014	616,605,145	15,248
Issue of shares	160,641,865	7,049
At 31 December 2014	777,247,010	22,297

6. Property, plant and equipment

	Freehold property US$'000	Plant and machinery US$'000	Development costs US$'000	Assets under construction US$'000	Total US$'000
Period ended 31 December 2014					
Cost or valuation:					
At 1 July 2014	15,407	17,154	8,531	49,359	90,451
Additions	–	770	–	25,359	26,129
At 31 December 2014	15,407	17,924	8,531	74,718	116,580
Depreciation:					
At 1 July 2014	(6,591)	(12,533)	(3,592)	–	(22,716)
Provided during the period	(238)	(1,047)	(1,011)	–	(2,296)
At 31 December 2014	(6,829)	(13,580)	(4,603)	–	(25,012)
Net book value at 31 December 2014	8,578	4,344	3,928	74,718	91,568
Period ended 31 December 2013					
Cost or valuation:					
At 1 July 2013	15,407	15,569	8,102	–	39,078
Additions	–	–	–	5,325	5,325
Exchange adjustment	–	695	993	16,782	18,470
At 31 December 2013	15,407	16,264	9,095	22,107	62,873
Depreciation:					
At 1 July 2013	(5,735)	(10,389)	(3,056)	–	(19,180)
Provided during the period	(417)	(1,007)	(558)	–	(1,982)
At 31 December 2013	(6,152)	(11,396)	(3,614)	–	(21,162)
Net book value at 31 December 2013	9,255	4,868	5,481	22,107	41,711
Year ended 30 June 2014 (Audited)					
Cost or valuation:					
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

7. Assets held for sale

	Freehold Property US$'000
Balance at 31 December 2014, 30 June 2014 and 31 December 2013	772

8. Earnings per share

	6 months to 31 Dec 2014 US$'000	6 months to 31 Dec 2013 US$'000	Year ended 30 June 2014 US$'000 Audited
Continuing profit attributable to parent company	(5,124)	(2,555)	(5,565)
Weighted average number of ordinary shares in issue during the period – basic earnings per share	636,685,378	540,764,200	558,439,207

Total and continuing earnings per share	6 months to 31 Dec 2014 US$'000	6 months to 31 Dec 2013 US$'000	Year ended 30 June 2014 US$'000
Basic earnings per share (US cents)	(0.80)	(0.47)	(1.00)
Diluted earnings per share (US cents)	(0.80)	(0.47)	(1.00)

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. Shares held in employee share trusts are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the profit and weighted average number of shares used in the calculations are set out below.

Where a loss has been incurred for the period, the diluted loss per share does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

FURTHER INFORMATION

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ABOUT WEATHERLY

Weatherly is an AIM listed copper mining company operating in Namibia in southern Africa. Its principal assets are two underground copper mines, Otjihase and Matchless, and a larger open pit called Tschudi which produced its first copper in February this year, well ahead of its original schedule.

These assets will enable Weatherly to achieve its medium term goal of establishing a mining business capable of sustaining approximately 25,000 tonnes per annum of copper production.

The Company also has a 25% stake in the AIM listed company, China Africa Resources plc (CAF), which is developing a lead/zinc mine called Berg Aukas also in Namibia.

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