WEATHERLY
INTERNATIONAL PLC

Interim financial statements
for the period from 1 July 2017 to 31 December 2017

Registered number: 03954224 (England and Wales)

Weatherly International Plc

("Weatherly", the "Company" or, together with its subsidiaries, the "Group")

Interim Results for the Period from 1 July 2017 to 31 December 2017

Weatherly International plc (AIM: WTI), a Namibian focused copper producer, announces its unaudited interim results for the period from 1 July 2017 to 31 December 2017.

Highlights

Operational

- Tschudi production for the half year to 31 December 2017 was 8,844 tonnes Copper Cathode.
- Production C1 costs for the half year were US$4,944 per tonne.

	Half year ended Dec 17	Quarter ended Dec 17	Quarter ended Sep-17	Full year ended June 17
Total (Ore + Waste) Mined (000 tonnes)	12,183	5,869	6,314	22,417
Ore Tonnes stacked (000 tonnes)	1,399	733	666	2,661
Ore Stacked grade (per cent)	0.71	0.65	0.78	0.91
Copper Cathode Produced (tonnes)	8,844	4,739	4,105	14,759
C1 Cost (US$/t)	4,944	4,551	5,402	5,288

Financial

- Revenue up to US$47.7m compared to US$37.8m for the comparable period last year.
- Operating loss of US$0.5m compared to a loss of US$6.7m for the same period last year.
- Unrestricted cash at 31 December 2017 of US$3.4m with a further US$3.8m received against inventory shipped to port on 3 January 2018 compared to US$6.3m at June 2017.

Corporate

- Weatherly entered into a binding agreement to purchase 100% of the Kitumba copper project in Zambia from ASX-listed Intrepid Mines Limited ("Intrepid").
- Subsequent to period end Weatherly entered into a binding agreement to purchase 65% of the shares of China Africa Resources Namibia Ltd ("CARN"), the owner of the high-grade Berg Aukas underground zinc-lead-vanadium project, which will increase Weatherly's ownership of CARN to 90%.
- Subsequent to period end Edwin Bennett resigned as a director.

Operational Summary

Tschudi production for the half year to 31 December 2017 was 8,844 tonnes Copper Cathode with a particularly strong second quarter of 4,739 tonnes of copper cathode or 11.5% above nameplate. This outcome was assisted by some short-term benefits from relatively-fast leaching of additional oxide ore mined from an interim pit pushback bringing forward some leaching output. The grade of this additional oxide ore was lower, reducing the tonnage of contained copper metal stacked in the quarter.

Last year the Company announced that it was experiencing lower leach rates for mixed and sulphide ore than were anticipated in the BFS and has compensated for this by exposing ore faster in the pit and stacking higher volumes of copper metal in ore, which together result in a higher C1 cost in the short to medium term. The Company has expanded the heap leach pad area to provide additional time for the leaching of copper and has now completed the construction of seven new leach pads. Forced aeration of some panels has commenced as part of ongoing testing of how leach rates for mixed and sulphide ore may be improved under modified operating conditions designed to increase bacterial activity in the heap. However it is expected to take to the end of the financial year until any firm conclusions can be drawn.

Open pit groundwater inflows, and the costs of dealing with them, continue to increase as pit mining proceeds to greater depths, but the flow rates are being managed adequately to ensure a reliable supply of ore for stacking. Updated estimates of likely water inflow rates for the pit stages currently being mined have been produced by independent consultants from Strategic Water Management WA and RPS. Work is underway in order to quantify the impact of the costs of dealing with these inflows upon the economic reserve and life of mine.

While the strong December quarter demonstrates the capacity of the Tschudi SXEW plant to operate at well above nameplate levels when leaching rates provide sufficient copper into solution, full year production is not expected to exceed its nameplate producing capacity of 17,000 tpa copper cathode.

Otjihase Project

Ojtihase and Matchless remained on care and maintenance over the 6 month period.

Financial Summary

In the financial statements for the year ended 30 June 2017, we noted that there were encouraging signs that copper prices were on the rise, ending that financial year at US$5,949 per tonne. We have been pleased to see that this trend has continued and the copper price averaged US$6,521 in this 6 month period and ended the calendar year at US$7,155. As the majority of our costs are in Namibian dollars, we are also mindful of the US$: N$ exchange rate. Over the 6 month period the exchange rate averaged 13.39, weaker than the June 2017 year end rate of 13.04. However, the exchange rate finished the period at 12.36 and has averaged lower since year end which is likely to affect our reported C1 cost negatively in the second half of the financial year.

Revenue after royalties for the 6 month period was US$47.7m, 26% higher than the comparable period in 2016 reflecting the increase in copper price.

In accordance with IAS 36 “Impairment of assets” the Group was required to perform an impairment review of the assets of Tschudi as at 31 December 2017. The assets were impaired by a further US$1m as a result of strengthening of the N$ against the US$ and expenditure on the leach pads outweighing the increased copper price. Further details of the impairment can be found in the property plant and equipment note, note 6.

Tschudi’s costs before interest, depreciation and impairments were US$37.1m with the result that Tschudi generated earnings before interest and depreciation (EBITDA) of US$10.6m. Care and maintenance costs at the Otjihase Project were US$1.2m and corporate costs amounted to US$0.6m leaving the Group EBITDA at US$8.7m. Depreciation in the 6 months amounted to US$8.2m and there was a US$0.1m impairment in investments and the US$1m impairment of Tschudi development expenditure leaving an operating loss of US$0.5m. This compares to a loss of US$6.7m in comparable period in 2016. However the loss increased to a loss before tax of US$5.9m after finance charges.

The Group had unrestricted cash at 31 December 2017 of US$3.4m with a further US$3.8m received on 3 January 2018 against inventory shipped to port, compared to US$6.3m at June 2017. The Group generated US$3.0m of operating cash flow after an increase in inventory of US$5.5m. Inventory was higher than at June year end, firstly, because stock at Walvis Bay waiting to be shipped was 542 tonnes higher than at June and, secondly, there was nearly 90,000 tonnes of additional ore inventory as at December to allow for any mining disruption caused by the wet season. The Group invested US$7.0m on property plant and equipment, principally on constructing the heap leach pads and US$0.5m on acquisition costs of Kitumba and CARN most of which is a refundable deposit on the former. The Group received US$3m on the uncommitted US$10m loan (leaving US$7m undrawn) from Orion Mine Finance (Master) Fund I LP ("Orion") and the working capital loan, also with Orion, reduced by US$1.5m giving a net increase in loans of US$1.5m.

The Group renegotiated its loans with Orion on 31 August 2017, 30 October 2017 and 31 December 2017. Under the latest revision of the financing agreement over US$20m of repayments are due by 31 March 2018 and it is unlikely that the Group will generate sufficient surplus cash to meet the revised loan repayments schedule and the Group's and parent company's ability to continue as a going concern will be dependent on Orion's continued support, of which there is no certainty. The directors believe that with the support of Orion to defer loan repayments, Tschudi can generate sufficient surplus funds for the Group and parent company to remain as a going concern (see note 1d. for more information).

Corporate Summary

Kitumba

On 12 December 2017, Weatherly announced that it had entered into a binding agreement to purchase 100% of the Kitumba copper project in Zambia from ASX-listed Intrepid. One of the conditions precedent for Weatherly's acquisition of the Kitumba Project was Intrepid shareholder approval and this was obtained on 2 February 2018. The remaining conditions precedent for completion of the acquisition are regulatory approval from the Zambian Ministry of Mines and Minerals Development and from the Zambian Competition and Consumer Protection Commission.

The key terms of the transaction are consideration of AU$4.75m in cash upon completion, plus deferred consideration of AU$ 0.5m upon a "Decision to Mine" and a further AU$0.5m upon achieving "Commercial Production". Weatherly has obtained a waiver from Orion to use part of the uncommitted US$10m loan announced on 28 July 2017 to fund the transaction to the extent that the Company is unable to fund it through operating cash flows.

Previous development plans for Kitumba were based on large scale and high capital cost development of the entire resource from the outset, and also included a decision to follow a relatively complex processing route using Pressure Oxidation to oxidise the sulphide minerals so that all of the contained copper could be leached and electro-won on site to produce copper cathode only.

Weatherly intends to pursue a two-phase development approach focussed initially on a Phase 1 development zone of higher-confidence and higher-grade mineralisation within the overall resource at Kitumba. The underground mine plan will be revised to focus on this Phase 1 development area, with capital expenditure reduced to suit a Phase 1 mining production rate of 0.75 to 1.0 Mtpa of ore.

Further, Weatherly intends to evaluate a lower risk and lower cost processing route utilising a combination of flotation and atmospheric leaching plus solvent-extraction and electro-winning to produce both copper concentrates and copper cathode.

To assist with this work, Weatherly engaged The MSA Group ("MSA") to provide an updated JORC-compliant Mineral Resource Estimate using a 2% Cu cut-off grade. MSA have completed that work and the Measured & Indicated Mineral Resource estimate at a 2% Cu cut-off grade comprises 9.5Mt at 3.6% Cu, containing 342,000 tonnes of copper, with 5.3Mt at 4.04% Cu classified as Measured, and 4.2Mt at 3.05% Cu classified as Indicated.

Weatherly believes that the change to a phased development approach focussed initially on high-confidence high-grade ore and the changed processing route will together significantly improve the financial metrics of Kitumba, and will allow a fast-track to financing and production.

Berg Aukas

On 5 February 2018, Weatherly announced that it had entered into a binding agreement to buy Hong Kong East China Non-Ferrous Mineral Resources Co Ltd's ("ECE") 65% of CARN, to increase the Group's interest in CARN from 25% to 90%. CARN is a private Namibian company which owns 100% of the high-grade Berg Aukas underground zinc-lead-vanadium project near Grootfontein. Weatherly will purchase all of ECE's shares in CARN for a cash consideration of US$600,000, which is still subject to regulatory approval in Namibia. Following such approval being granted the full consideration will become immediately payable to ECE. The Company expects to fund the transaction through operating cash flow but in the event that it cannot, Weatherly has obtained a waiver from Orion Mine Finance to use part of the uncommitted US$10m loan announced on 28 July 2017 to fund the transaction.

In 2014, China Africa Minerals plc published a PFS for Berg Aukas which indicated the following key parameters.

· JORC-compliant Mineral Resource Estimate of 1.23Mt @ 15.47% Zn, 3.84% Pb and 0.33% V_2O_5 (Indicated classification) using a cut-off grade of 3.0% Zn

· JORC-compliant Ore Reserve Estimate of 1.7Mt @ 11.16% Zn, 2.76% Pb and 0.23% V_2O_5 (Probable classification) at a 5% Zn equivalent cut-off included within the resource

· Post-Tax NPV10 of US$29m

· Post-Tax IRR of 25%

The 2014 PFS was based on assumed prices of US$2,000/tonne for zinc and lead. Vanadium, present in the mineral descloisite, has a limited market and so the PFS assumed no credit was received for the vanadium content.

Prices for all three of these commodities have improved markedly since that time, and Weatherly has initiated an update of the PFS to examine the impact of these improved prices and updated capital and operating cost estimates on the Project's key financial metrics.

Directorate Change

On 6 February 2018, Edwin Bennett, a director of the Company, and appointee of Orion, tendered his resignation. The Company thanks Mr Bennett for his contribution to its leadership over the past two years.

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About Weatherly

Weatherly is an AIM listed copper mining company operating in Namibia in southern Africa. Its principal assets are the Tschudi Mine and the Otjihase Project. The Tschudi Mine is an operating open pit mine producing refined copper cathode on site. The key assets of the Otjihase Project are the Otjihase underground copper mine and concentrator and the Matchless West underground copper mine. The Otjihase Project assets are currently under care & maintenance while in the Project Development stage. Weatherly also owns 25% of China Africa Resources Namibia (CARN), a private Namibian company which owns the high-grade Berg Aukas underground zinc-lead-vanadium project. On 5 February 2018 it announced that it had signed an agreement to purchase a further 65% of CARN subject to regulatory approval. On 12 December 2017, Weatherly announced that it had entered into an agreement to purchase the Kitumba copper development project in Zambia. The transaction has subsequently been approved by the vendors shareholders and is only subject to regulatory approval.

Condensed consolidated income statement
for the period from 1 July to 31 December 2017

	Note	6 months to 31 Dec 2017 US$'000	6 months to 31 Dec 2016 US$'000 restated	Year ended 30 June 2017 US$'000 Audited
Revenue		47,676	37,820	75,082
Cost of sales		(44,258)	(40,490)	(91,220)
Gross profit / (loss)		**3,418**	**(2,670)**	**(16,138)**
Distribution costs		(773)	(743)	(1,476)
Other operating expenses		(74)	(1,259)	(1,373)
Other operating income		239	56	213
Administrative expenses		(2,349)	(2,131)	(4,600)
Impairment of development expenditure		(1,000)	-	(9,000)
Operating profit / (loss)		**(539)**	**(6,747)**	**(32,374)**
Foreign exchange gain		276	581	1,407
Finance costs	3	(5,714)	(5,157)	(10,209)
Finance income		46	60	35
Loss before results of associated company		**(5,931)**	**(11,263)**	**(41,141)**
Share of losses of associated company	4	(4)	-	-
Loss before tax		**(5,935)**	**(11,263)**	**(41,141)**
Tax credit		-	-	1,072
Loss for the period		**(5,935)**	**(11,263)**	**(40,069)**
Loss attributable to:				
Owners of the Parent		(5,749)	(10,872)	(38,655)
Non controlling interests		(186)	(391)	(1,414)
		(5,935)	**(11,263)**	**(40,069)**
Total and continuing loss per share				
Basic loss per share (US cents)	8	(0.54)	(1.02)	(3.64)
Diluted loss per share (US cents)	8	(0.54)	(1.02)	(3.64)

Condensed consolidated statement of comprehensive income
for the period from 1 July to 31 December 2017

	6 months to 31 Dec 2017 US$'000	6 months to 31 Dec 2016 US$'000	Year ended 30 June 2017 US$'000 Audited
Loss for the period	(5,935)	(11,263)	(40,069)
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating of foreign operations	-	-	-
	-	-	-
Total Comprehensive loss for the period	**(5,935)**	**(11,263)**	**(40,069)**
Total comprehensive loss attributable to:			
Owners of the Parent	(5,749)	(10,872)	(38,655)
Non controlling interests	(186)	(391)	(1,414)
	(5,935)	**(11,263)**	**(40,069)**

Condensed consolidated statement of financial position
as at 31 December 2017

	Note	As at 31 Dec 2017 US$'000	As at 31 Dec 2016 US$'000 Restated	As at 30 June 2017 US$'000 Audited
Assets				
Non-current assets				
Property, plant and equipment	6	100,052	115,904	102,298
Deferred Tax		5,627	4,054	5,330
Investments		113	178	187
Investments in associates		127	124	131
Trade and other receivables		583	526	552
		106,502	120,786	108,498
Current assets				
Inventories		13,991	12,899	8,536
Trade and other receivables		9,270	8,674	8,677
Unrestricted cash and cash equivalents		3,407	7,276	6,275
Restricted cash and cash equivalents		1,741	1,461	1,608
		28,409	30,310	25,096
Non current assets held for sale	7	772	772	772
		29,181	31,082	25,868
Total assets		**135,683**	**151,868**	**134,366**
Current liabilities				
Trade and other payables		20,342	18,920	20,964
Loans		122,200	107,554	113,352
Inventory loans		2,087	1,812	3,612
		144,629	128,286	137,928
Non-current liabilities				
Provisions		7,074	4,884	6,532
		7,074	4,884	6,532
Total liabilities		**151,703**	**133,170**	**144,460**
Net assets		**(16,020)**	**18,698**	**(10,094)**
Equity				
Issued capital	5	8,676	8,676	8,676
Share premium reserve	5	22,132	22,132	22,132
Merger reserve		18,471	18,471	18,471
Share-based payments reserve		723	771	770
Foreign exchange reserve		(19,140)	(19,140)	(19,140)
Retained earnings		(44,673)	(11,212)	(38,980)
Equity attributable to shareholders of the parent company		(13,811)	19,698	(8,071)
Non controlling interests		(2,209)	(1,000)	(2,023)
		(16,020)	**18,698**	**(10,094)**

Condensed consolidated statement of changes in equity
for the period from 1 July to 31 December 2017

	Issued capital	Share premium	Merger reserve	Share-based payment reserve	Translation of foreign operations	Retained earnings	Subtotal	Non controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 July 2016	**8,676**	**22,132**	**18,471**	**746**	**(19,140)**	**(340)**	**30,545**	**(609)**	**29,936**
Share based payments	-	-	-	25	-	-	25	-	25
Transactions with owners	-	-	-	25	-	-	25	-	25
Loss for the period	-	-	-	-	-	(10,872)	(10,872)	(391)	(11,263)
Other comprehensive income									
Exchange difference on translation of foreign entities	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(10,872)	(10,872)	(391)	(11,263)
At 31 December 2016	**8,676**	**22,132**	**18,471**	**771**	**(19,140)**	**(11,212)**	**19,698**	**(1,000)**	**18,698**
At 1 July 2016	**8,676**	**22,132**	**18,471**	**746**	**(19,140)**	**(340)**	**30,545**	**(609)**	**29,936**
Share based payments	-	-	-	39	-	-	39	-	39
Lapsed options and warrants	-	-	-	(15)	-	15	-	-	-
Transactions with owners	-	-	-	24	-	15	39	-	39
Loss for the period	-	-	-	-	-	(38,655)	(38,655)	(1,414)	(40,069)
Other comprehensive income									
Exchange difference on translation of foreign entities	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(38,655)	(38,655)	(1,414)	(40,069)
At 30 June 2017	**8,676**	**22,132**	**18,471**	**770**	**(19,140)**	**(38,980)**	**(8,071)**	**(2,023)**	**(10,094)**
At 1 July 2017	**8,676**	**22,132**	**18,471**	**770**	**(19,140)**	**(38,980)**	**(8,071)**	**(2,023)**	**(10,094)**
Share based payments	-	-	-	9	-	-	9	-	9
Lapsed options and warrants	-	-	-	(56)	-	56	-	-	-
Transactions with owners	-	-	-	(47)	-	56	9	-	9
Loss for the period	-	-	-	-	-	(5,749)	(5,749)	(186)	(5,935)
Other comprehensive income									
Exchange difference on translation of foreign entities	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(5,749)	(5,749)	(186)	(5,935)
At 31 December 2017	**8,676**	**22,132**	**18,471**	**723**	**(19,140)**	**(44,673)**	**(13,811)**	**(2,209)**	**(16,020)**

Condensed consolidated cash flow statement
for the period from 1 July to 31 December 2017

	6 months to 31 Dec 2017 US$'000	6 months to 31 Dec 2016 US$'000	Year to 30 June 2017 US$'000 Audited
Cash flows from operating activities			
Loss for the year before tax	(5,935)	(11,263)	(40,069)
Adjusted by:			
Depreciation and amortisation	8,243	7,673	14,867
Impairment of development expenses	1,000	-	9,000
Impairment of investments	74	-	1,373
Acquisition costs	93	-	-
Increase in deferred tax	-	-	(1,072)
Increase in provisions	379	-	1,071
Share-based payment expenses	9	25	39
profit on disposal of assets	-	-	(190)
In specie dividend	-	-	(131)
Unrealised exchange losses	-	(332)	-
Loss of associated company	4	1,259	-
Amortisation of borrowing costs	296	-	445
Exchange movement on pledged cash	(91)	(75)	-
Finance costs	5,714	5,157	10,209
Interest received	(46)	(60)	(35)
	9,740	**2,384**	**(4,493)**
Movements in working capital			
(Increase) / decrease in inventories	(5,455)	(2,694)	1,669
(Increase) / decrease in trade and other receivables	(527)	(281)	242
(Increase) / decrease in trade and other payables	(809)	4,043	5,500
Net cash generated by operating activities	**2,949**	**3,452**	**2,918**
Cash flows used in investing activities			
Interest received	4	60	35
Payments for intangibles, property, plant and equipment	(6,997)	(2,840)	(6,910)
Deposit for purchase of Intrepid mines	(394)	-	-
Acquisition costs	(93)	-	-
Receipt of capital rebate	-	-	1,453
increase in pledged cash	-	(41)	218
Net cash used in investing activities	**(7,480)**	**(2,821)**	**(5,204)**
Cash flows from financing activities			
Repayment of loans	-	(16)	(16)
Receipt of loans	3,000	-	-
(Decrease) / increase in working capital loans	(1,525)	1,832	3,612
Interest and finance charges	-	-	(104)
Net cash from financing activities	**1,475**	**1,816**	**3,492**
(Decrease) / increase in cash	**(3,056)**	**2,447**	**1,206**
Reconciliation to net cash			
Cash at beginning of period	6,275	4,498	4,498
(Decrease) / increase in cash	(3,056)	2,447	1,206
Foreign exchange gains losses	188	331	571
Net cash at end of period	**3,407**	**7,276**	**6,275**

Notes to the condensed consolidated financial statements
for the period 1 July to 31 December 2017

1. a. Basis of preparation

These interim condensed consolidated financial statements are for the six months ended 31 December 2017. 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 2017. The information included in these interim condensed consolidated financial statements in respect of the year ended 30 June 2017 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 2017.

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

b. Restatement

In the 30 June 2017 financial statements, legal and other borrowing costs associated with the borrowings from Orion Mine Finance (Master) Fund I LP (“Orion”)were included in loans in line with IAS 39. Prior to that, they had been classified under trade and other receivables and the 31 December 2016 results have been restated increasing receivables and decreasing loans by US$2.9 for consistency. There is no impact to net assets or profit and loss.

In the 30 June 2017 financial statements, the costs of care and maintenance were classified as administration costs but were classified as cost of sales in the 31 December 2016 interims. The interims has been restated for consistency increasing administration expenses and decreasing cost of sales by US$1.5m respectively. There is no impact to net assets or profit and loss.

c. Nature of operations and general information

Weatherly International plc and its subsidiaries' (“the Group”) principal activities include the mining and sale of copper cathode and 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 Orion House, Bessemer Road, Welwyn Garden City AL7 1HH. The Company’s ordinary shares are admitted to trading on the AIM 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 16 March 2018.

The financial information for the period ended 31 December 2017 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 2017 have been filed with the Registrar of Companies.

d. Going Concern

The Group incurred a loss before tax of US$5.9m during the 6 month period ended 31 December 2017 and, at that date, had net current liabilities of US$116.2m. Orion, Weatherly’s largest shareholder and lender, have confirmed it has agreed to defer the repayments on Tranche B, C and D of its loan until 31 March 2018. The

Notes to the consolidated financial statements
for the period from 1 July to 31 December 2017

first payment of Tranche B was originally due on 30 November 2015 with payments due quarterly thereafter. Tranche C

was repayable on 31 August 2016 and Tranche D on 9 November 2016. Over US$20m of repayments are due by 31 March 2018 and it is unlikely that the Group

will generate sufficient surplus cash to meet the revised loan repayments schedule and the Group's and parent company's ability to continue as a going concern will be dependent on Orion's continued support, of which there is no certainty.

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

These are:

- That Tschudi is able to 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 bankable feasibility study (BFS) as different types of ore are mined into.
- The Group has experienced open pit groundwater inflows higher than the BFS which continue to increase as pit mining proceeds to deeper elevations. The flow rates are being managed adequately to ensure a reliable supply of ore for stacking but at deeper or different areas of the mine production could be disrupted.
- The Group has experienced lower leach rates than were anticipated in the BFS and has compensated for this by exposing ore faster in the pit and stacking higher volumes of copper metal in ore, which together result in a higher C1 cost in the short to medium term. The Company continues to extend the heap leach pad area to provide additional time for the leaching of copper. Investigations continue into how leach rates can be improved under modified operating conditions and the subsequent effect on ultimate recoveries with the assistance of independent consultants, Jo & Loyola Consultores de Procesos. However, it is expected to take to the end of the financial year before any firm conclusions can be drawn.
- Copper price fluctuations not having a further material adverse effect on the Group's profitability.
- As the Group's revenue streams are converted from US dollars to Namibia dollars exchange rate fluctuations could have a material adverse effect on the Group's profitability.
- The timing of income is uncertain. Sales are dependent on the date the Group's only customer, Orion, accepts title by shipping the copper cathode.
- The Group recovers VAT receipts in Namibia, the timing of repayment are outside the Group's control.

The ongoing need for Orion's support along with the above conditions indicate the existence of a material uncertainty which casts significant doubt about the Group's and parent company'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 continues to positively engage with Orion on the subject as evidenced by the subsequent events in note 9. The Group and parent company financial statements do not include the adjustments that would result if the Group and parent company were unable to continue as a going concern.

Notes to the consolidated financial statements
for the period from 1 July to 31 December 2017

2. Segmental reporting

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

The activities undertaken by the Tschudi segment include the sale of copper cathode from the Tschudi mine. The activities undertaken by the Otjihase Project segment include the sale of copper concentrate from Otjihase and Matchless mines, both of which are currently on care and maintenance. 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.

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 2017	**Otjihase Project US$'000**	**Tschudi US$'000**	**Consolidated US$'000**
Sales and other operating revenues			
External sales	13	47,663	47,676
Segment revenues	13	47,663	47,676

Segmental loss	**Otjihase Project US$'000**	**Tschudi US$'000**	**Consolidated US$'000**
Segmental operating (loss) / profit	(1,800)	1,952	152
Other operating expenses			(74)
Unallocated expenses			(617)
Unrealised foreign exchange gain			276
Interest expense			(5,714)
Interest income			46
Loss before results of associated company			(5,931)

	Otjihase Project US$'000	**Tschudi US$'000**	**Total US$'000**
Segment assets	8,571	125,779	134,350
Unallocated assets			1,333
Total assets			135,683

Year ended 30 June 2017 (Audited)

	Otjihase Project US$'000	Tschudi US$'000	Consolidated US$'000
Sales and other operating revenues			
External sales	15	75,067	75,082
Segment revenues	15	75,067	75,082

	Otjihase Project US$'000	Tschudi US$'000	Consolidated US$'000
Segmental profit			
Segmental operating profit	(3,641)	(26,390)	(30,031)
Unallocated corpoarate expenses			(1,101)
Impairment of associated company			(1,373)
Inspecie dividend			131
Unrealised foreign exchange loss			1,407
Interest expense			(10,209)
Interest income			35
Loss before results of associated company			(41,141)

	Otjihase Project US$'000	Tschudi US$'000	Total US$'000
Segment assets	9,787	124,078	133,865
Unallocated Corporate assets			501
Total assets			134,366

Period ended 31 December 2016

	Otjihase Project US$'000	Tschudi US$'000	Consolidated US$'000
Sales and other operating revenues			
External sales	10	37,810	37,820
Segment revenues	10	37,810	37,820

	Otjihase Project US$'000	Tschudi US$'000	Consolidated US$'000
Segmental loss			
Segmental operating loss	(1,646)	(3,290)	(4,936)
Other operating expenses			(1,260)
Unallocated expenses			(551)
Unrealised foreign exchange gain			581
Interest expense			(5,157)
Interest income			60
Loss before results of associated company			(11,263)

	Otjihase Project US$'000	Tschudi US$'000 Restated	Total US$'000 Restated
Segment assets	10,402	140,462	150,863
Unallocated assets			1,004
Total assets			151,868

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3. Finance costs

	6 months to 31 Dec 2017 US$'000	6 months to 31 Dec 2016 US$'000	Year ended 30 June 2017 US$'000 Audited
Unwinding of Dundee long term debtor	(21)	-	(258)
Orion Mine Finance	5,552	5,085	10,007
Environmental liability	164	72	356
Bank and other	19	-	104
Total finance costs	**5,714**	**5,157**	**10,209**

4. Share of losses of associated company

This represents the Group's 25% share of the expected losses of China Africa Resources Namibia Ltd.

5. Share issues

	Number	US$'000
At 30 June 2016	1,060,803,192	30,808
Issue of shares	-	-
At 31 December 2016	1,060,803,192	30,808
Issue of shares	-	-
At 30 June 2017	1,060,803,192	30,808
Issue of shares	-	-
At 31 December 2017	1,060,803,192	30,808

Notes to the consolidated financial statements
for the period from 1 July to 31 December 2017

6. Property, plant and equipment

	Freehold property	Plant and machinery	Development costs	Environmental asset	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Period ended 31 December 2017						
Cost or valuation:						
At 1 July 2017	21,433	93,294	41,955	5,029	2,249	163,960
Additions	19	143	1,951	-	4,884	6,997
Transfers	-	3,908	-	-	(3,908)	-
At 31 December 2017	21,452	97,345	43,906	5,029	3,225	170,957
Depreciation:						
At 1 July 2016	(10,319)	(34,778)	(15,742)	(823)	-	(61,662)
Provided during the period	(797)	(4,044)	(3,085)	(317)	-	(8,243)
Impairment of Tschudi development	-	-	(1,000)	-	-	(1,000)
At 31 December 2017	(11,116)	(38,822)	(19,827)	(1,140)	-	(70,905)
Net book value at 31 December 2017	10,336	58,523	24,079	3,889	3,225	100,052
Period ended 31 December 2016						
Cost or valuation:						
At 1 July 2016	21,393	92,821	39,288	5,029	-	158,531
Additions	37	1,733	1,070	-	-	2,840
At 31 December 2016	21,430	94,554	40,358	5,029	-	161,371
Depreciation:						
At 1 July 2016	(8,947)	(25,857)	(2,614)	(377)	-	(37,795)
Provided during the period	(716)	(4,507)	(2,209)	(241)	-	(7,673)
At 31 December 2016	(9,663)	(30,364)	(4,823)	(618)	-	(45,468)
Net book value at 31 December 2016	11,767	64,190	35,535	4,411	-	115,903
Year ended 30 June 2017						
Cost or valuation:						
At 1 July 2016	21,393	92,821	39,288	5,029	-	158,531
Additions	40	1,954	2,667	-	2,249	6,910
Reimbursement of construction costs	-	(1,453)	-	-	-	(1,453)
Disposals	-	(28)	-	-	-	(28)
At 30 June 2017	21,433	93,294	41,955	5,029	2,249	163,960
Depreciation:						
At 1 July 2016	(8,947)	(25,857)	(2,614)	(377)	-	(37,795)
Impairment of Tschudi development	-	-	(9,000)	-	-	(9,000)
Provided during the year	(1,372)	(8,921)	(4,128)	(446)	-	(14,867)
At 30 June 2017	(10,319)	(34,778)	(15,742)	(823)	-	(61,662)
Net book value at 30 June 2017	11,114	58,516	26,213	4,206	2,249	102,298

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for the period from 1 July to 31 December 2017

In accordance with IAS36 "Impairment of asset" an impairment review has been performed on the Group's two cash-generating units ("CGU") being Tschudi and Otjihase Project.

Tschudi

The impairment assessment was based on a value in use calculation assessing cash-flows from 2018 to 2025. A period of 8 years has been chosen as this is consistent with the level of reserves and hence potential production.
Key assumptions used in determining value in use are:

- A leaching recovery of 80% of contained copper in mixed and sulphide ore.
- Copper price- budgeted copper prices have been based on the mean of publicly available, independent forecasts from a variety of well-known institutions. Using this mean, the budgeted copper price for the remainder of 2017/18 is US$6,631 and for 2018/19 it is US$6,750. Prices are assumed to average US$6,898 over the 8-year period.
- The majority of costs are incurred in local Namibian currency and hence movements in the US$ have an impact. Using publicly available, independent forecasts, the exchange rate at June 2018 is 12.8, 30 June 2019 is 13.5 and over the 8 years averages 15.3.
- Costs have been inflated using publicly available forecast CPI increases. These average 5.2% over the life of the project.
- The pre-tax discount rate used in the value in use calculation was 11%.

The carrying value of the Tschudi CGU was US$96.1m including property plant and equipment and ore inventory and an impairment of US$1m has been identified which has been allocated to capitalised development costs. Management has performed a sensitivity analysis on the key variables such as copper price, exchange rates, production levels and leaching rates and an improvement of 0.3% in any of them would remove the need for an impairment. Conversely a detrimental movement of a similar amount will double the size of the impairment necessary.

Otjihase Project

The Board took the decision in September 2015 to suspend mining and processing ore from Otjihase and Matchless and convert it to project development status until copper prices have recovered.

As at 31 December 2017 the carrying value of the Otjihase and Matchless CGU was US$6.5m. The impairment assessment was based on a value in use calculation assessing cash-flows from 2018 to 2027. A period of 10 years has been chosen as this is consistent with the level of reserves and inferred resources and hence potential production. No impairment has been identified.

Key assumptions used in determining value in use are:

- Copper price. forecast copper prices have been based on the mean of publicly available, independent forecasts from a variety of well-known institutions. Using this mean, the budgeted copper price for the remainder of 2017/18 is US$6,631 and for 2018/19 it is US$6,750. Prices are assumed to average US$6,894 over the 10 year period.
- The majority of costs are incurred in local Namibian currency and hence movements in the US$ have an impact. Using publicly available, independent forecasts, the exchange rate at June 2018 is 12.8, June 2019 is 13.5 and over the 10 years averages 15.3.
- Costs have been inflated using publicly available forecast CPI increases. These average 5.2% over the life of the project.
- The pre-tax discount rate used in the value in use calculation was 15% to reflect the additional risk of getting back into production.

Management has performed a sensitivity analysis on the key variables such as copper price, exchange rates and production levels and the model is robust up to 4% on all variables.

Notes to the consolidated financial statements

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7. Assets held for sale

	Freehold Property US$'000
Balance at 31 December 2017, 30 June 2017 and 31 December 2016	772

8. Earnings per share

	6 months to 31 Dec 2017 US$'000	**6 months to 31 Dec 2016 US$'000**	**Year ended 30 June 2017 US$'000 Audited**
Loss attributable to parent company	(5,749)	(10,872)	(38,655)
Weighted average number of ordinary shares in issue during the period - basic earnings per share	1,060,803,192	1,060,803,192	1,060,803,192

Total and continuing loss per share	**6 months to 31 Dec 2017 US$'000**	**6 months to 31 Dec 2016 US$'000**	**Year ended 30 June 2016 US$'000**
Basic loss per share (US cents)	(0.54)	(1.02)	(3.64)
Diluted loss per share (US cents)	(0.54)	(1.02)	(3.64)

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.

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.

Notes to the consolidated financial statements

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9. Events Subsequent to Statement of Financial Position Date

Kitumba

On 2 February 2018, Weatherly announced that the shareholders of ASX-listed Intrepid Mines Limited ("Intrepid") have voted in favour of the transaction whereby Weatherly will acquire the Kitumba Project in Zambia.

The key terms of the transaction are up-front consideration of AU$4.75m in cash upon transaction completion, plus deferred consideration of AU$0.5m upon a "Decision to Mine" and a further AU$0.5m upon achieving "Commercial Production". Weatherly has obtained a waiver from Orion to use part of the uncommitted US$10m loan announced on 28 July 2017 to fund the transaction to the extent that the Company is unable to fund it through operating cash flows.

Remaining Conditions Precedent are regulatory approval by the Zambian Ministry of Mines and Minerals Development and by the Zambian Competition and Consumer Protection Commission.

Further details are included in the Corporate update on page 4.

Berg Aukas

On 5 February 2018, Weatherly announced that it had entered into a binding agreement to buy Hong Kong East China Non-Ferrous Mineral Resources Co Ltd's ("ECE") 65% of China Africa Resources Namibia Limited (CARN) to increase the Group's interest in CARN from 25% to 90%. CARN is a private Namibian company which owns 100% of the high-grade Berg Aukas underground zinc-lead-vanadium project near Grootfontein. Weatherly will purchase all of ECE's shares in CARN for a cash consideration of US$600,000, the transaction is subject to regulatory approval in Namibia, following which the full consideration will be paid to ECE immediately. The Company expects to fund the transaction through operating cash flow but in the event that it cannot, Weatherly has obtained a waiver from Orion Mine Finance to use part of the uncommitted US$10m loan announced on 28 July 2017 to fund the transaction.

Further details are included in the Corporate update on page 4.