West African Resources Limited

(ABN 70 121 539 375)

Financial Report

for the half-year ended 31 December 2013

West African Resources Limited

(ABN 70 121 539 375)

CORPORATE INFORMATION

Directors
Francis Harper (Non-Executive Chairman)
Richard Hyde (Managing Director)
Simon Storm (Non-Executive Director)
Jean-Marc Lulin (Non-Executive Director - appointed 29 January 2014)
Colin Jones (Non-Executive Director – appointed 28 February 2014)

Company Secretary
Simon Storm

Registered Office and Principal place of business
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Auditors
HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000
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Solicitors
Allion Legal
Level 2
50 Kings Park Road
West Perth WA 6005
Ph: +61 (8) 9216 7100

Your directors submit their report for the Group for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this period unless otherwise stated.

Francis Harper - Non- Executive Chairman

Richard Hyde - Managing Director

Simon Storm - Non- Executive Director and Company Secretary
Jean-Marc Lulin - Non-Executive Director - appointed 29 January 2014
Colin Jones – Non-Executive Director – appointed 28 February 2014
Stephen Ross - Non-Executive Director – resigned 28 February 2014

Dividends

No dividends have been paid or declared since the start of the half-year and the directors do not recommend the payment of a dividend in respect of the half-year.

Principal Activities

The principal activity of the Group during the half-year was mineral exploration focusing primarily on the Boulsa Gold project in Burkina Faso.

There have been no significant changes in the nature of this activity during the financial period.

Review of results and operations

The operations and results of the Group for the financial year are reviewed below. This review includes information on the financial position of the Group, its operational activities for the year and its future business strategies.

Operating results for the year

The net loss of the Group for the half-year ended 31 December 2013 was $3,245,805 (2012: $3,052,972).

Revenue
Revenue comprised interest received and net foreign exchange gains. Interest was down 81% on the previous corresponding period as a consequence of lower cash balances and lower interest rates. Net foreign exchange gains were down 41% due to lower foreign currency holdings.

Expenses
During the half year, the Company continued exploration activities at its various exploration projects with expenditure on exploration decreasing 6% to $2,125,965 (2012: $2,261,280).

Cash and cash equivalents at 31 December 2013 decreased by 60% to $1,316,547 (30 June 2013: $3,328,461). The decrease in cash and cash equivalents by 74% to $1,316,547 during the six months ended 31 December 2013, arose due to the following reasons:-

Operating cash flows
Cash outflows from operating activities increased by 8% to $2,952,206 (2012: $2,733,643) mainly because of the increase in permit renewal costs for existing permits in Burkina Faso.

Investing cash flows
Cash outflows from investing activities increased by 370% to $1,829,841 (2012: $389,104) due mainly to the acquisition of 19.9% of Channel Resources Ltd and partly as a consequence of legal costs incurred in relation to the Channel Resources Ltd Plan of Arrangement transaction.

Financing cash flows
Cash inflows from financing activities decreased by 36% to $2,683,461 (2012: $4,198,909) due to less funds being raised from an equity placement in September 2013 compared to an equity placement in September 2012, with 19.1 million and 22.4 million shares being issued at 15 cents and 20 cents respectively.

Statement of financial position

Current assets
Current assets decreased by 54% to $1,568,408 (30/6/13: $3,409,666) mainly due to cash and cash equivalents decreasing 60% to $1,316,547 (30/6/13: $3,328,461).

Non-current assets
Non-current assets increased by 202% to $1,798,074 (30/6/13: $594,528) due to the purchase of Channel Resources Limited.

Current liabilities
Current liabilities decreased by 45% to $347,930 (30/6/13: $637,425), being a reduction in the creditors for assaying and equipment supplies.

Debt position
The Company has no debt.

Operational activities for the year

Exploration

Work commenced at the Moktedu Prospect during the half year, which is located some 10km north of the newly acquired Tanlouka Permit. Work continued at Sartenga with diamond drilling adding more confidence to the geological model. Drilling has recently finished at Sartenga, after the reporting period, with the Company's activities shifting to work programs at Mankarga 5, including RC drilling, metallurgical diamond core drilling and oriented diamond core drilling. The Company's objective is to develop a low cost heap leach operation from the combination of the Mankarga 5 deposit and nearby prospects including targets at Moktedu and Goudré. To achieve this stated goal the Company will complete a resource update at Mankarga 5 and Moktedu during the March quarter, leading to the completion of a scoping Study and Preliminary Economic Assessment (PEA) in the June 2014 Quarter.

Corporate

In September 2013, the Company completed a placement to raise $2.9 million (before costs) by issuing 19 million ordinary shares at $0.15 per share. Funds from the placement were earmarked to accelerate resource definition drilling at WAF's Moktedu Project and on the adjacent Tanlouka Gold Project, following completion of the acquisition of TSXV Channel Resources Limited ('CHU'). The placement was made in accordance with the Company's available 15% capacity pursuant to ASX Listing Rule 7.1.

Also in September 2013, a 19.9% holding in CHU was completed with a $1.5m investment during September 2013.

The period saw the Company continuing with work on the acquisition of TSXV Channel Resources Ltd through a plan of arrangement, with final approvals from the TSX granted after the half year end, on 17 January 2014. The focus of the acquisition by West African was Channel's main asset, the Tanlouka Permit, which includes the Mankarga 5 project.

Future Business Strategy

The Company's future business strategy includes:-

- to keep diamond drilling at Sartenga with a resource upgrade by year end with the focus on grade and width and to follow-up the new gold zone 4km south of main zone;
- further metallurgical test work and completing a scoping study in early 2014; and
- targeting near term production from a low capex heap leach project at Moktedu and Tanlouka.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial period, not otherwise disclosed in this report.

Significant events after reporting date

Subsequent to the end of the reporting date, the Company completed a transaction announced on 14 August 2013, pursuant to which it acquired, by way of a Plan of Arrangement, all of the issued and outstanding common shares and options of Channel Resources Ltd ('Channel').

The terms of the Arrangement were as follows:-

1. The common shares of Channel to be exchanged for ordinary shares in the Company at a ratio of four (4) Channel shares for one (1) Company share - 29,837,123 shares were issued on 17 January 2014, resulting in Channel shareholders holding 12.1% of the total outstanding shares of West African;
2. Channel shareholders to receive 1 (one) share purchase warrant ("Warrant") for every two (2) Company shares received in the Arrangement, each Warrant being exercisable to acquire one (1) Company share at a price of A$0.40 expiring 17 January 2017 - 14,918,508 Warrants were issued on 17 January 2014;
3. Each outstanding Channel option to acquire a Channel share would be exchanged for one quarter (1/4) of a West African option - 1,365,000 unlisted options were issued on 17 January 2014 with exercise prices between 42 cents and $1.66 and expiry dates between 31 March 2014 and 26 July 2017; and
4. Under contractual commitments with key management of Channel, the closing of the Plan of Arrangement triggered certain payments to each of the CEO and the SVP & CFO of Channel. Under the Arrangement Agreement, Channel and West African agreed to settle the Change of Control Payments payable by Channel to the CEO and the SVP & CFO by way of an aggregate CDN$550,000 payment (CDN$275,000 in cash and CDN$275,000 in West African shares). In settlement of the CDN$275,000 share component, 2,199,631 shares were issued on 17 January 2014.

Pursuant to the terms of the Arrangement, the Company sought listing on the TSX.V, with conditional approval being granted on 15 January 2014. This allowed for the closing of the transaction on 17 January 2014 and the listing of West African common shares and warrants under the symbols "WAF" and "WAF Wt" respectively occurred on 24 January 2014.

On 29 January 2014, Mr Jean-Marc Lulin was appointed as a non-executive director of the Company. On 28 February 2014, Mr Stephen Ross resigned as a non-executive director and Mr Colin Jones was appointed as a non-executive director of the Company.

On 27 February 2014 the Company received an R&D Tax Incentive of $316,690 in respect of eligible R&D expenditure.

Other than this, there has not been any matter or circumstance that has arisen after the end of the financial half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future half-years.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future half-years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial half-year report. This written Auditor's Independence Declaration is attached to the Auditor's Independent Review Report to the members and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors.

RHyde

Richard Hyde
Director
Perth, 13 March 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated	
	6 months 31/12/2013 $	6 months 31/12/2012 $
Revenue from continuing operations	**15,234**	80,715
Foreign exchange gain	**24,532**	41,379
Regulatory and compliance expense	**(49,156)**	(44,683)
Office expense	**(90,439)**	(68,670)
Depreciation expense	**(165,209)**	(226,672)
Personnel expense	**(113,719)**	(82,553)
Travel and accommodation expense	**(8,876)**	(15,875)
Property expense	**(22,791)**	(25,891)
Consulting fee expense	**(272,086)**	(63,465)
Audit fees	**(17,647)**	(19,501)
Director's fees	**(35,000)**	(35,000)
Share based payments	**(199,542)**	(331,476)
Exploration related costs	**(2,125,965)**	(2,261,280)
Share of loss of equity accounted investee	**(185,141)**	-
Loss before income tax expense	**(3,245,805)**	(3,052,972)
Income tax expense	**-**	-
Loss after tax	**(3,245,805)**	(3,052,972)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	**14,585**	(16,105)
Other comprehensive income/(loss), net of income tax	**14,585**	(16,105)
Total comprehensive loss for the year attributable to the owners of West African Resources Ltd	**(3,231,220)**	(3,069,077)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company		
Basic loss per share (cents per share)	**(1.6)**	(1.7)

Diluted loss per share is not disclosed as it is not materially different to basic loss per share

The accompanying notes form part of the financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Consolidated 31/12/2013 $	Consolidated 30/06/2013 $
CURRENT ASSETS			
Cash and cash equivalents		**1,316,547**	3,328,461
Trade and other receivables		**219,951**	59,295
Financial assets		**31,910**	21,910
Total Current Assets		**1,568,408**	3,409,666
NON-CURRENT ASSETS			
Investments accounted for using the equity method	**3**	**1,377,903**	-
Plant & equipment		**420,171**	594,528
Total Non-Current Assets		**1,798,074**	594,528
TOTAL ASSETS		**3,366,482**	4,004,194
CURRENT LIABILITIES			
Trade and other payables		**347,930**	637,425
Total Current Liabilities		**347,930**	637,425
TOTAL LIABILITIES		**347,930**	637,425
NET ASSETS		**3,018,552**	3,366,769
EQUITY			
Issued capital	**4**	**23,105,008**	20,508,445
Reserves		**2,178,605**	1,877,580
Accumulated losses		**(22,265,061)**	(19,019,256)
TOTAL EQUITY		**3,018,552**	3,366,769

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated	
	6 months 31/12/2013 $	6 months 31/12/2012 $
	Inflows/(Outflows)	
Cash Flows from Operating Activities		
Payments to suppliers and employees	**(383,445)**	(374,725)
Exploration related expenditure	**(2,436,622)**	(2,437,941)
Purchase of prospects and investments	**(148,205)**	(5,684)
Interest received	**16,066**	84,707
Net cash outflow from operating activities	**(2,952,206)**	(2,733,643)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	**(2,277)**	(389,104)
Payment for plant deposit	**(83,084)**	-
Payment for security deposit	**(10,000)**	-
Payment for acquisition costs	**(167,069)**	-
Payment for acquisition of equity investments	**(1,567,411)**	-
Net cash outflow from investing activities	**(1,829,841)**	(389,104)
Cash Flows from Financing Activities		
Proceeds from issue of shares	**2,858,178**	4,475,745
Share issue related costs	**(174,717)**	(276,836)
Net cash inflow from financing activities	**2,683,461**	4,198,909
Net (decrease)/increase in cash held	**(2,098,586)**	1,076,162
Cash at the beginning of the financial year	**3,328,461**	3,929,293
Effect of exchange rate changes on the balance of cash held in foreign currencies	**86,672**	8,183
Cash at the end of the financial period	**1,316,547**	5,013,638

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Issued Capital	(Accumulated Losses)	Foreign Currency Translation Reserve	Share Based Payments Reserve	Total
	$	$	$	$	$
Balance at 1 July 2012	14,564,657	(11,778,676)	(27,255)	984,011	3,742,737
Shares issued during the half-year net of transaction costs	4,198,909	-	-	-	4,198,909
Loss after tax	-	(3,052,972)	-	-	(3,052,972)
Net exchange differences on translation of the financial reports of foreign subsidiaries	-	-	(16,105)	-	(16,105)
Share based payments	-	-	-	331,476	331,476
Balance at 31 December 2012	18,763,566	(14,831,648)	(43,360)	1,315,487	5,204,045
Balance at 1 July 2013	**20,508,445**	**(19,019,256)**	**42,334**	**1,835,246**	**3,366,769**
Shares issued during the half-year net of transaction costs	**2,596,563**	**-**	**-**	**-**	**2,596,563**
Loss after tax	**-**	**(3,245,805)**	**-**	**-**	**(3,245,805)**
Net exchange differences on translation of the financial reports of foreign subsidiaries	**-**	**-**	**14,585**	**-**	**14,585**
Share based payments	**-**	**-**	**-**	**286,440**	**286,440**
Balance at 31 December 2013	**23,105,008**	**(22,265,061)**	**56,919**	**2,121,686**	**3,018,552**

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The consolidated Statement of Profit or Loss and other Comprehensive Income and consolidated Statement of Financial Position have been prepared in accordance with applicable accounting standards, the Corporations Act 2001 and mandatory professional reporting requirements in Australia (including the Australian equivalents of International Financial Reporting Standards) and we have made such disclosures as considered necessary. They have also been prepared on the basis of historical cost and do not take into account changing money values. The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The company is a public company, incorporated in Australia and operating in Australia. The Company was incorporated on 1 September 2006 as a proprietary company and converted to a public company on 16 November 2007. The company listed on the Australian Securities Exchange Ltd on 11 June 2010.

(b) Adoption of new and revised standards

In the half-year ended 31 December 2013, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation and disclosure of the Statement of profit or loss and other comprehensive income.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

(c) Statement of Compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by the Company and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

(d) Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Principles of Consolidation

The consolidated financial statements comprise the financial statements of West African Resources Limited and its subsidiaries ("the Group"). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which West African Resources Limited has control.

(f) Going Concern

As disclosed in the Statement of Profit or Loss and other Comprehensive Income, the Group recorded operating losses of $3,245,805 (2012:$ 3,052,972) for the half-year and as disclosed in the Statement of Cash Flows, the Group recorded cash outflows from operating activities of $2,952,206 (2012:$2,733,643) and cash outflows from investing activities of $1,829,841 (2012:$389,104) and cash inflows from financing activities of $2,683,461 (2012: $4,198,909). After consideration of these financial conditions, the Directors have assessed the following matters in relation to the adoption of the going concern basis of accounting by the Group:

- The Group has successfully completed a capital raising during the half-year as disclosed in Note 4 and has the ability to continue doing so on a timely basis, pursuant to the Corporations Act 2001, as is budgeted to occur in the twelve month period from the date of this financial report;
- The Group has a working capital surplus of $1,220,478 (30/6/13: working capital surplus $2,772,241) at balance date and retains the ability to scale down its operations to conserve cash, in the event that the capital raisings are delayed or reduced;
- On 17 January 2014 the Company completed the acquisition of Channel including cash acquired of CDN$909,418.
- On 27 February 2014 the Company received an R&D Tax Incentive of $316,690 in respect of eligible R&D expenditure.
- The Group has the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in investments, mineral exploration and development assets.

The directors also anticipate that a further equity raising will be required in order for the Group to continue as a going concern, and this will be completed in 2014. Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and whether the Group will be able to realise its assets and extinguish its liabilities in the normal course of business.

NOTE 2: SEGMENT REPORTING

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.
Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of West African Resources Ltd.

The Group operates only in one business and geographical segment being predominantly in the area of mineral exploration in Burkina Faso, Africa. The Group considers its business operations in mineral exploration to be its primary reporting function.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 3: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	31/12/2013 $	30/06/2013 $
Reconciliation of movements in investments		
Balance at 1 July	**-**	-
Acquisitions	**1,563,044**	-
Share of loss	**(185,141)**	-
Balance at 31 December	**1,377,903**	-

	31/12/2013 $	30/06/2013 $
Summarised financial information of associate:		
Financial position		
Total assets	**7,119,420**	-
Total liabilities	**(121,834)**	-
Net assets	**6,997,586**	-
Group's share of associates' net assets	**1,392,520**	-
Financial performance		
Total revenue	**-**	-
Total loss for the period	**(201,082)**	-
Group's share of associate's profit/(loss) - pro rata from acquisition on 6 September 2013	**(185,141)**	-

On 6 September 2013, the Company completed the acquisition of 29,650,936 common shares in the capital of Channel Resources Ltd at a price of C$0.05 per common share for gross proceeds of C$1,482,547 (A$1,563,043). As a result of this private placement, the Company now owns 19.9% of Channel, and is considered to have significant influence over Channel. Subsequent to half-year end, the company completed the acquisition of 100% of Channel.

Name of entity	Principal activity	Country of incorporation	Ownership interest 31/12/2013 %	Market Value 31/12/2013 $
Associated entity				
Channel Resources Ltd (acquired 6 Sept 2013)	Mineral exploration	Canada	**19.9%**	**1,507,113**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 4: ISSUED CAPITAL

	Consolidated	
	31/12/2013 $	30/06/2013 $
215,185,983 fully paid ordinary shares	**23,105,008**	20,508,445

(a) Shares

(i) Ordinary shares - number	31/12/2013 No.	30/06/2013 No.
At start of period	**196,131,467**	163,338,445
Issue of shares 12 September 2012	**-**	22,378,724
Exercise of options 16 January 2013	**-**	1,900,000
Exercise of options 16 January 2013	**-**	8,514,298
Issue of shares 5 September 2013	**19,054,516**	-
Balance at 31 December 2013	**215,185,983**	196,131,467

	Consolidated	
(ii) Ordinary shares – value	31/12/2013 $	30/06/2013 $
At start of period	**20,508,445**	14,564,657
Issue of shares 12 September 2012	**-**	4,475,745
Exercise of options 16 January 2013	**-**	380,000
Exercise of options 16 January 2013	**-**	1,702,859
Issue of shares 5 September 2013	**2,858,178**	-
Share issue costs	**(261,615)**	(614,816)
Balance at 31 December 2013	**23,105,008**	20,508,445

(b) Options

	Consolidated	
	31/12/2013 No.	30/06/2013 No.
At start of period	**13,796,792**	38,925,000
Options lapsed	**(7,250,000)**	(17,085,702)
Issue of options 17 September 2012	**-**	200,000
Issue of options 16 January 2013	**-**	2,171,792
Exercise of options 16 January 2013	**-**	(1,900,000)
Exercise of options 16 January 2013	**-**	(8,514,298)
Issue of options 27 November 2013	**1,935,357**	-
Balance at 31 December 2013	**8,482,149**	13,796,792

NOTE 4: DIVIDENDS

No dividends have been paid or declared payable since the start of the financial half-year.

NOTE 5: RELATED PARTY DISCLOSURE

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2013 annual financial report.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 6: CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2013.

NOTE 7: SUBSEQUENT EVENTS AFTER THE REPORTING DATE

Subsequent to the end of the reporting date, the Company completed a transaction announced on 14 August 2013, pursuant to which it acquired, by way of a Plan of Arrangement, all of the issued and outstanding common shares and options of Channel Resources Ltd ('Channel').

The terms of the Arrangement were as follows:-

1. The common shares of Channel to be exchanged for ordinary shares in the Company at a ratio of four (4) Channel shares for one (1) Company share - 29,837,123 shares were issued on 17 January 2014, resulting in Channel shareholders holding 12.1% of the total outstanding shares of West African;
2. Channel shareholders to receive 1 (one) share purchase warrant ("Warrant") for every two (2) Company shares received in the Arrangement, each Warrant being exercisable to acquire one (1) Company share at a price of A$0.40 expiring 17 January 2017 - 14,918,508 Warrants were issued on 17 January 2014;
3. Each outstanding Channel option to acquire a Channel share would be exchanged for one quarter (1/4) of a West African option - 1,365,000 unlisted options were issued on 17 January 2014 with exercise prices between 42 cents and $1.66 and expiry dates between 31 March 2014 and 26 July 2017; and
4. Under contractual commitments with key management of Channel, the closing of the Plan of Arrangement triggered certain payments to each of the CEO and the SVP & CFO of Channel. Under the Arrangement Agreement, Channel and West African agreed to settle the Change of Control Payments payable by Channel to the CEO and the SVP & CFO by way of an aggregate CDN$550,000 payment (CDN$275,000 in cash and CDN$275,000 in West African shares). In settlement of the CDN$275,000 share component, 2,199,631 shares were issued on 17 January 2014.

Pursuant to the terms of the Arrangement, the Company sought listing on the TSX.V, with conditional approval being granted on 15 January 2014. This allowed for the closing of the transaction on 17 January 2014 and the listing of West African common shares and warrants under the symbols "WAF" and "WAF Wt" respectively occurred on 24 January 2014.

On 29 January 2014, Mr Jean-Marc Lulin was appointed as a non-executive director of the Company. On 28 February 2014, Mr Stephen Ross resigned as a non-executive director and Mr Colin Jones was appointed as a non-executive director of the Company.

On 27 February 2014 the Company received an R&D Tax Incentive of $316,690 in respect of eligible R&D expenditure.

Other than this, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

Directors' Declaration

1. In the opinion of the Directors:

a) the financial statements and notes of the Group are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year then ended; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1 (c).

This declaration is signed in accordance with a resolution of the Board of Directors.

RHyde

Richard Hyde
Director

13 March 2014

HLB Mann Judd

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of West African Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of West African Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of West African Resources Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 (f) in the half-year financial report which indicates that the directors anticipate that a further equity raising will be required in order for the Group to continue as a going concern and this will be completed in 2014. Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and whether the Group will be able to realise its assets and extinguish its liabilities in the normal course of business.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Norman Glad

N G Neill
Partner

Perth, Western Australia
13 March 2014

HLB Mann Judd

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of West African Resources Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
13 March 2014

N G Neill
Partner

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