West African Resources Limited

(ABN 70 121 539 375)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three and nine months ended 31 March 2014

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NOTICE TO READERS

The accompanying unaudited condensed consolidated interim financial statements of West African Resources Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management. These condensed consolidated interim financial statements for the nine months ended 31 March 2014 have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Australian Dollars.

Richard Hyde
Managing Director/
Chief Executive Officer

Simon Storm
Chief Financial Officer

Perth
Western Australia

Date: 15 May 2014

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Note	Consolidated	
		31-03-14 UNAUDITED $	30-06-13 AUDITED $
CURRENT ASSETS			
Cash and cash equivalents	**3**	**1,170,945**	3,328,461
Trade and other receivables		**181,516**	59,295
Financial assets		**31,910**	21,910
Total Current Assets		**1,384,371**	3,409,666
NON-CURRENT ASSETS			
Plant & equipment	**4**	**382,152**	594,528
Total Non-Current Assets		**382,152**	594,528
TOTAL ASSETS		**1,766,523**	4,004,194
CURRENT LIABILITIES			
Trade and other payables	**5**	**452,653**	637,425
Total Current Liabilities		**452,653**	637,425
TOTAL LIABILITIES		**452,653**	637,425
NET ASSETS		**1,313,870**	3,366,769
EQUITY			
Issued capital	**6**	**29,358,385**	20,508,445
Reserves	**7**	**2,978,583**	1,877,580
Accumulated losses		**(31,023,098)**	(19,019,256)
TOTAL EQUITY		**1,313,870**	3,366,769

The accompanying notes are an integral part of these consolidated interim financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 3 AND 9 MONTHS ENDED 31 MARCH 2014

	Consolidated		Consolidated	
	3 months ended		9 months ended	
	31-03-14 $	31-03-13 $	31-03-14 $	31-03-13 $
Revenue from continuing operations	**5,544**	25,905	**20,778**	106,620
Other income	**14,868**	-	**14,868**	-
Foreign exchange gain	**7,244**	-	**31,776**	35,563
Regulatory and compliance expense	**(32,705)**	(19,639)	**(81,861)**	(64,322)
Office expense	**(31,652)**	(24,736)	**(122,091)**	(93,406)
Depreciation expense	**(102,015)**	(722)	**(267,224)**	(227,394)
Personnel expense	**(24,662)**	(35,587)	**(138,381)**	(118,140)
Travel and accommodation expense	**(18,762)**	(6,400)	**(27,638)**	(22,275)
Property expense	**(50,729)**	(11,449)	**(73,520)**	(37,340)
Consulting fee expense	**98,156**	(26,059)	**(173,930)**	(89,524)
Audit fees	**(35,506)**	(8,494)	**(53,153)**	(27,995)
Director's fees	**(17,500)**	-	**(52,500)**	(35,000)
Share based payments	**(14,739)**	-	**(214,281)**	(331,476)
Exploration related costs	**(9,057,410)**	(1,108,202)	**(11,183,375)**	(3,369,482)
Share of loss of equity accounted investees	**185,141**	-	**-**	-
Foreign exchange loss	**-**	(5,816)	**-**	-
Loss before income tax expense	**(9,074,727)**	(1,221,199)	**(12,320,532)**	(4,274,171)
Income tax benefit	**316,690**	-	**316,690**	-
Loss after tax	**(8,758,037)**	(1,221,199)	**(12,003,842)**	(4,274,171)
Other comprehensive income:				
Items that will not be reclassified to profit or loss	**-**	-	**-**	-
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	**(3,332)**	85,694	**11,253**	69,589
Other comprehensive income, net of income tax	**(3,332)**	85,694	**11,253**	69,589
Total comprehensive loss for the year attributable to the owners of West African Resources Ltd	**(8,761,369)**	(1,135,505)	**(11,992,589)**	(4,204,582)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company				
Basic loss per share (cents per share)	**(3.6)**	(0.7)	**(5.5)**	(2.3)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3 AND 9 MONTHS ENDED 31 MARCH 2014

	Consolidated		Consolidated	
	3 months ended		9 months ended	
	31/03/2014 $	31/03/2013 $	31/03/2014 $	31/03/2013 $
	Inflows/(Outflows)		Inflows/(Outflows)	
Cash Flows from Operating Activities				
Payments to suppliers and employees	**(370,083)**	(155,369)	**(753,528)**	(530,094)
Exploration related expenditure	**(926,316)**	(1,402,182)	**(3,362,937)**	(3,840,123)
Purchase of prospects and investments	**(28,281)**	(132,402)	**(176,486)**	(138,086)
Interest received	**8,512**	37,889	**24,578**	122,596
Other - R&D tax offset	**316,690**	-	**316,690**	-
Net cash outflow from operating activities	**(999,478)**	(1,652,064)	**(3,951,683)**	(4,385,707)
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	**-**	(73,422)	**(2,277)**	(462,526)
Purchase of equity investments	**(4,534)**	-	**(4,534)**	-
Payment for plant deposit	**7,611**	-	**(75,473)**	-
Payment for security deposit	**-**	-	**(10,000)**	-
Channel acquisition costs	**(135,428)**	-	**(302,497)**	-
Cash paid for acquisition of Channel	**(310,082)**	-	**(1,877,493)**	-
Cash taken up on acquistion of Channel	**1,259,790**	-	**1,259,790**	-
Proceeds from sale of investments	**33,287**	-	**33,287**	-
Net cash inflow / (outflow) from investing activities	**850,644**	(73,422)	**(979,197)**	(462,526)
Cash Flows from Financing Activities				
Proceeds from issue of shares	**-**	2,082,578	**2,858,177**	6,558,323
Share issue related costs	**-**	(82,143)	**(174,717)**	(358,979)
Net cash inflow from financing activities	**-**	2,000,435	**2,683,460**	6,199,344
Net decrease in cash held	**(148,834)**	274,949	**(2,247,420)**	1,351,111
Cash at the beginning of the period	**1,316,547**	5,013,638	**3,328,461**	3,929,293
Effect of exchange rate changes on the balance of cash held in foreign currencies	**3,232**	21,866	**89,904**	30,049
Cash at the end of the financial period	**1,170,945**	5,310,453	**1,170,945**	5,310,453

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2014

	Ordinary Shares	Retained Profits / (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 9 months net of transaction costs	6,199,574	-	-	-	6,199,574
Loss after tax	-	(4,274,171)	-	-	(4,274,171)
Net exchange differences on translation of the financial reports of foreign subsidiaries	-	-	(45,693)	-	(45,693)
Share based payments	-	-	-	331,476	331,476
Balance at 31 March 2013	20,764,231	(16,052,847)	(72,948)	1,315,487	5,953,923
Balance at 1 July 2013	**20,508,445**	**(19,019,256)**	**42,334**	**1,835,246**	**3,366,769**
Shares issued during the 9 months net of transaction costs	**8,849,940**	**-**	**-**	**-**	**8,849,940**
Loss after tax	**-**	**(12,003,842)**	**-**	**-**	**(12,003,842)**
Net exchange differences on translation of the financial reports of foreign subsidiaries	**-**	**-**	**11,253**	**-**	**11,253**
Share based payments	**-**	**-**	**-**	**1,089,750**	**1,089,750**
Balance at 31 March 2014	**29,358,385**	**(31,023,098)**	**53,587**	**2,924,996**	**1,313,870**

1 NATURE AND CONTINUANCE OF OPERATIONS

West African Resources Ltd. ("**the Company**" or "**West African**") is a public company, incorporated in Australia and operating in Australia and Burkina Faso. 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 ASX on 11 June 2010. West African is a mineral exploration company focused on building shareholder value through the identification, acquisition, exploration and development of mineral projects. The Company's current portfolio includes mineral rights in a gold project in Burkina Faso.

The Company is in the process of exploring its mineral property rights and has not yet determined whether these exploration property interests contain economically recoverable mineral reserves. The underlying value and recoverability of these resource assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete exploration and development, and the future profitable production and/or disposition thereof.

These condensed consolidated interim financial statements ("**Interim Financial Statements**") have been prepared on the basis that the Company will continue as a going-concern, which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. The Company finances its operations through the issue of ordinary shares. The Company has no source of operating revenue and continued operations are dependent on the Company's ability to raise further funding through equity issues, sales of assets or through participation in profitable future operations. These Interim Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue its business.

2 BASIS OF PRESENTATION

(a) Statement of Compliance

These Interim Financial Statements have been prepared in accordance with *International Financial Reporting Standard 34, "Interim Financial Reporting*" ("IAS 34"). They do not include all the information and notes required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 30 June 2013 ("2013 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Results for the period ended 31 March 2014 are not necessarily indicative of the results for the full fiscal year ending 30 June 2013.

These Interim Financial Statements have been prepared using accounting policies consistent to those used in the 2013 Annual Financial Statements, and were authorised for publication by the Company's board of directors on 15 May 2014.

(b) 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.

(c) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(d) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted as at balance date.
Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxation profit or loss.
Deferred income tax assets are recognised to the extent that it is probable that the future tax profits will be available against which deductible temporary differences will be utilised. The amount of the benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in the income taxation legislation and the anticipation that the economic unit will derive sufficient future assessable income to enable the benefits to be realised and comply with the conditions of deductibility imposed by law.

(e) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Investment in associated entities

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The balance dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a Group entity transacts with its associate, profits and losses resulting from those transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(g) Exploration, Evaluation and Development Expenditure

Mineral exploration and evaluation costs are expensed as incurred. Acquisition costs will normally be expensed but will be assessed on a case by case basis and if appropriate may be capitalised. These acquisition costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the tenement. Accumulated acquisition costs in relation to an abandoned tenement are written off in full against profit in the year in which the decision to abandon the tenement is made.

(h) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses. The carrying amount of the plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and their subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

Depreciation
The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than the estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(i) Trade and other accounts payable

Trade and other accounts payable represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest.

(j) Recoverable Amount of Non Current Assets

The carrying amounts of non-current assets are reviewed annually by Directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have been or will be discounted to present values in determining recoverable amounts.

(k) Operating Revenue

Revenue represents interest received and reimbursements of exploration expenditures.

(l) Issued Capital

Ordinary Shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(m) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

(o) Share Based Payments

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes or Binomial option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(p) Foreign currency translation

Both the functional and presentation currency of West African Resources Limited and its Australian subsidiary is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign subsidiaries, Wura Resources Pty Ltd SARL, Swan Resources SARL, Hawthorn Resources SARL, West African Resources Exploration SARL, West African Resources Development SARL, Tanlouka SARL and West African Resources SARL is the Communaute Financiere Africaine Franc (CFA).

The functional currency of the foreign subsidiary, Channel Resources Ltd, is the Canadian Dollar (CAD).

The functional currency of the foreign subsidiaries, Channel Resources (Cayman I) Ltd and Channel Resources (Cayman II) Ltd is the United States Dollar (USD).

As at the reporting date the assets and liabilities of this subsidiary are translated into the presentation currency of West African Resources Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the exchange rate at the year end.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(q) Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to
be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(r) Acquistions outside of the scope of AASB 3 Business Combinations

Where the Group has acquired control of another entity which principally holds exploration assets, or assets in predevelopment, and that entity has no reserves, the substance of the transaction is reviewed. If the sole purpose of the transaction is to increase the resource base of the Group, and the vehicle containing the assets was of no consequence to the underlying substance of the transaction, the transaction is viewed to be outside of the scope of AASB 3 Business Combinations.

The acquisitions of Channel Resources Limited are outside of the scope of AASB 3 Business Combinations as they did not meet the definition of "business" according to that standard. The acquisition of the net assets of these companies, excluding the cash and the financial assets, meets the definition of, and has been accounted for as, a share-based payment transaction for the acquisition of assets.

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 now 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 the Boulsa Gold Project in Burkina Faso, Africa. The Group considers its business operations in mineral exploration to be its primary reporting function.

(Unaudited - expressed in Australian Dollars)

3 CASH AND CASH EQUIVALENTS

	Consolidated	
	31/03/2014 $	30/06/2013 $
Cash at bank and in hand	**770,924**	67,023
Deposits at call	**400,021**	3,261,438
	1,170,945	3,328,461

4 PLANT & EQUIPMENT

	Consolidated Group				
	Buildings $	Office Equipment $	Exploration Equipment $	Motor Vehicles $	Total $
Year ended 30 June 2013					
At 1 July 2012, net of accumulated depreciation	-	31,177	270,543	245,549	547,269
Effects of movement in foreign exchange	(984)	1,727	5,362	8,168	14,273
Additions	31,107	24,475	376,680	127,141	559,403
Depreciation charge for the year	(8,226)	(21,431)	(274,876)	(221,884)	(526,417)
At 30 June 2013, net of accumulated depreciation	21,897	35,948	377,709	158,974	594,528
At 1 July 2013, net of accumulated depreciation	**21,897**	**35,948**	**377,709**	**158,974**	**594,528**
Effects of movement in foreign exchange	**994**	**1,634**	**15,626**	**7,374**	**25,628**
Additions	**-**	**28,192**	**1,028**	**-**	**29,220**
Depreciation charge for the year	**(8,162)**	**(18,504)**	**(157,269)**	**(83,289)**	**(267,224)**
At 31 March 2014, net of accumulated depreciation	**14,729**	**47,270**	**237,094**	**83,059**	**382,152**
At 30 June 2013					
Cost	31,107	96,933	1,048,834	764,412	1,941,286
Accumulated depreciation	(9,210)	(60,985)	(671,125)	(605,438)	(1,346,758)
Net carrying amount	21,897	35,948	377,709	158,974	594,528
At 31 March 2014					
Cost	**32,447**	**156,551**	**1,094,022**	**797,346**	**2,080,366**
Accumulated depreciation	**(17,718)**	**(109,281)**	**(856,928)**	**(714,287)**	**(1,698,214)**
Net carrying amount	**14,729**	**47,270**	**237,094**	**83,059**	**382,152**

(Unaudited - expressed in Australian Dollars)

5 TRADE & OTHER PAYABLES

	Consolidated	
	31/03/2014 $	30/06/2013 $
Current		
Trade payables	**316,163**	473,308
Accruals	**110,864**	112,919
Other payables	**25,626**	51,198
	452,653	637,425

Trade payables are non-interest bearing and are normally settled on 30-day terms.

6 ISSUED CAPITAL

	Consolidated	
	31/03/2014 $	30/06/2013 $
247,222,737 fully paid ordinary shares	**29,358,385**	20,508,445

(a) Shares

(i) Ordinary shares - number	31/03/2014 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**	-
Issue of shares 17 January 2014	**29,837,123**	-
Issue of shares 17 January 2014	**2,199,631**	-
Balance at 31 March 2014	**247,222,737**	196,131,467

	Consolidated	
(ii) Ordinary shares – value	31/03/2014 $	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**	-
Issue of shares 17 January 2014	**5,967,425**	-
Issue of shares 17 January 2014	**285,952**	-
Share issue costs	**(261,615)**	(614,816)
Balance at 31 March 2014	**29,358,385**	20,508,445

(Unaudited - expressed in Australian Dollars)

6 ISSUED CAPITAL (cont.)

(b) Options - number

	Consolidated 31/03/2014 No.	Consolidated 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**	-
Issue of options 27 November 2013	**1,365,000**	-
Expiry of options	**(111,250)**	-
Balance at 31 March 2014	**9,735,899**	13,796,792

Grant date	Date of Expiry	Exercise Price $	Consolidated 31-03-14 Number under Option	Consolidated 30-06-13 Number under Option
30-Nov-10	30-Nov-13	0.35	**-**	7,250,000
01-Jul-11	07-Jul-14	0.40-0.45	**1,100,000**	1,100,000
20-Jan-12	20-Jan-15	0.48	**2,500,000**	2,500,000
12-Jun-12	12-Jun-15	0.25	**575,000**	575,000
17-Sep-12	17-Sep-15	0.30	**200,000**	200,000
17-Jan-14	17-Jan-17	0.40	**2,171,792**	2,171,792
17-Jan-14	17-Jan-17	0.40	**1,935,357**	-
17-Jan-14	5-Nov-14 - 26-Jul-17	0.42-1.66	**1,253,750**	-
			9,735,899	13,796,792

(Unaudited - expressed in Australian Dollars)

(c) Warrants

	Consolidated	
	31/03/2014 No.	30/06/2013 No.
At start of period	**-**	-
Issue of warrants	**14,918,508**	-
Balance at 31 March 2014	**14,918,508**	-

Grant date	Date of Expiry	Exercise Price $	Consolidated 31/03/2014 Number of Warrants	Consolidated 30/06/2013 Number of Warrants
17-Jan-14	17-Jan-17	0.40	**14,918,508**	-

7 RESERVES

	Consolidated	
	31-03-14 $	30-06-13 $
Reserves	**2,978,583**	1,877,580

Reserves comprise the following:

Foreign Currency Translation Reserve

At start of period	**42,334**	(27,255)
Currency translation differences	**11,253**	69,589
Balance at 31 March 2013	**53,587**	42,334

Share Based Payments Reserve

At start of period	**1,835,246**	984,011
Options issued - share based payment expense	**214,281**	595,398
Options issued - share issue costs	**86,898**	255,837
Warrants issued on Channel acquisition	**734,252**	-
Options issued on Channel acquisition	**54,319**	-
Balance at 31 March 2013	**2,924,996**	1,835,246

(Unaudited - expressed in Australian Dollars)

8 ACQUISITION OF SUBSIDIARY

Asset Acquisition – Channel Resources Limited

On 17 January 2014, the Group obtained control by acquiring 100% of the share capital of Channel Resources Limited ("Channel"), a gold explorer in Burkina Faso. As a result, the Group's equity interest in Channel increased from approximately 19.9% to 100%.

The Group and Channel had executed a Plan of Arrangement ('Arrangement') in relation to the merger, under which the Group acquired all of the issued securities in Channel. Under the Arrangement:-
(i) Channel shareholders received one West African share for every four Channel shares; and
(ii) one share purchase warrant ('Warrant') for every two West African shares received in the Arrangement;
(iii) Each outstanding Channel option to acquire a Channel share would be exchanged for one quarter of a West African option; and
(iv) contractual commitments with former key management of Channel, resulted in the settlement of Change of Control Payments payable 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).

As a result the Group issued:-

(a) 29,837,123 fully paid ordinary shares at the agreed Arrangement price of 20 cents, on the day the Group obtained control of Channel;

(b) 14,918,508 Warrants, each Warrant being exercisable to acquire one Company share at a price of A$0.40, expiring 17 January 2017;

(c) 1,365,000 unlisted options, with exercise prices between 42 cents and $1.66 and expiry dates between 31 March 2014 and 26 July 2017; and

(d) 2,199,631 ordinary shares were issued at 13 cents in settlement of the CDN$275,000 share component and $286,160 (CDN$275,000) was paid in cash pursuant to the Change of Control commitment.

The acquisition of Channel was determined to be an asset acquisition, rather than a business combination, as the substance and intent of the transaction was for the Group to acquire the exploration and evaluation assets of Channel for the purpose of expanding the Group's overall resource base. The vehicle containing the assets was of no consequence to the underlying substance and intent of the transaction.

The acquisition of the net assets of Channel, excluding the cash and the financial assets, meets the definition of, and has been accounted for as, a share-based payment transaction.

The fair values of net assets acquired at the date of acquisition were:

	AS
Cash and cash equivalents	**1,259,790**
Trade and other receivables	**59,581**
Financial assets	**18,419**
Deferred sublease commission	**5,839**
Exploration Property Interests	**8,024,507**
Plant & equipment	**24,826**
Trade and other payables	**(104,402)**
Deferred leasehold incentives	**(13,550)**
Value of net assets acquired	**9,275,010**

Consideration	AS
Equity consideration	**7,041,948**
Cash consideration	**1,877,493**
Directly attributable costs	**355,569**
Total consideration	**9,275,010**

(Unaudited - expressed in Australian Dollars)

9 DIVIDENDS

No dividends have been paid or declared payable since the start of the financial period.

10 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of West African Resources Limited and the subsidiaries listed in the following table.

Controlled entities	Country of incorporation	Percentage Owned 31-03-14 %	Percentage Owned 30-06-13 %
Parent Entity:			
West African Resources Ltd	Australia		
Subsidiaries of West African Resources Ltd:			
Wura Resources SARL Pty Ltd	Burkina Faso	**100**	100
Wura Uranium Resources Pty Ltd	Australia	**100**	100
Swan Resources SARL Pty Ltd	Burkina Faso	**100**	100
Hawthorn Resources SARL Pty Ltd	Burkina Faso	**100**	100
West African Resources Exploration SARL	Burkina Faso	**100**	100
West African Resources Development SARL	Burkina Faso	**100**	100
West African Resources Ltd SARL	Burkina Faso	**100**	-
Channel Resources Ltd	Canada	**100**	-
which owns			
Channel Resources (Cayman I) Ltd	Cayman	**100**	-
which owns			
Channel Resources (Cayman II) Ltd	Cayman	**100**	-
which owns			
Tanlouka SARL	Burkina Faso	**100**	-

The Company finances the operations of all of its subsidiaries and thus these companies will have unsecured borrowings from the Company that are interest free and at call. The ability for these controlled entities to repay debts due to the company (and other parties) will be dependent on the commercialisation of the mining assets owned by the subsidiaries.

	31-03-14 $	31-03-13 $
Amounts payable to Directors for Directors Fees	**27,611**	17,500
Amounts payable to Directors for Consulting Fees	**98,902**	172,553

Further information with respect to related party transactions are included in Note 11.

(Unaudited - expressed in Australian Dollars)

11 DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

Directors

Francis Harper — Chairman (non-executive)
Richard Hyde — Managing Director
Stephen Ross — Director (non-executive) Resigned 28 February 2014
Simon Storm — Director (non-executive)
Jean-Marc Lulin — Director (non-executive) Appointed 29 January 2014
Colin Jones — Director (non-executive) Appointed 28 February 2014

(b) Compensation of Key Management Personnel

	Consolidated		Consolidated	
	3 months ended		9 months ended	
	31-03-14 $	31-03-13 $	31-03-14 $	31-03-13 $
Short-term employee benefits	**107,825**	97,714	**312,187**	293,141
Share-based payments	**14,739**	-	**214,281**	331,476
	122,564	97,714	**526,468**	624,617

(Unaudited - expressed in Australian Dollars)

11 DIRECTORS AND EXECUTIVE DISCLOSURES (cont.)

(c) Other transactions and balances with Key Management Personnel

Transactions between related parties are on normal comercial terms no more favourable than those available to other parties unless otherwise stated. Amounts paid or payable are:-

	Consolidated		Consolidated	
	3 months ended		9 months ended	
	31-03-14	31-03-13	31-03-14	31-03-13
	$	$	$	$
Directors				
The Director and Company Secretary, Mr Storm is a director and shareholder of Dorado Corporate Services Pty Ltd which has provided company secretarial and accounting services to the company on normal commercial terms. $3,745 / quarter of this amount relates to Company Secretarial remuneration for Mr Storm's services.	**28,902**	20,410	**78,253**	61,255
The Managing Director, Mr Hyde, is a director and shareholder of Azurite Consulting Pty Ltd which has provided consultancy services to the company on normal commercial terms amounting to $70,000/quarter	**70,000**	70,000	**210,000**	210,000
The Director, Mr Harper, is a director and shareholder of Blackwood Capital Ltd which has provided consultancy and capital raising services to the company on normal commercial terms. $8,750 / quarter of this amount relates to directors' remuneration.	**8,750**	90,893	**197,179**	380,216
The Director, Mr Ross, is a director and shareholder of Roman Resource Management Pty Ltd which has provided consulting services to the company on normal commercial terms. $8,750 / quarter of this amount relates to directors' remuneration.	**8,750**	8,750	**26,250**	26,250
The Director, Mr Lulin (appointed 29 January 2014) , is paid directors fees of $8,750 / quarter	**7,194**	-	**7,194**	-
The Director, Mr Jones (appointed 28 February 2014) , is paid directors fees of $8,750 / quarter	**2,917**	-	**2,917**	-
	126,513	190,053	**521,793**	677,721

12 CONTINGENT LIABILITIES

On 5 March 2014, the Company through Channel Resources Limited and its group subsidiary, Channel Resources (Cayman II) Ltd, entered into an agreement to acquire the remaining 10% of the Tanlouka Permit, part of the Boulsa Project, Burkina Faso. The acquisition will take the Group to 100% ownership of the permit.

The acquisition, which is conditional on completion of a positive feasibility within 18 months, comprised the following consideration:

- US$50,000 on execution of the agreement; and
- the issue of 2,500,000 ordinary shares in West African Resources Ltd and payment of US$250,000 following completion of a positive feasibility study on the Tanlouka permit.

13 CONTINGENT ASSET

There are no contingent assets at 31 March 2014.

14 SUBSEQUENT EVENTS AFTER THE REPORTING DATE

Subsequent to the end of the reporting date, the Company raised $3,000,239, before costs, by issuing 23,078,761 ordinary shares at 13 cents.

Other than this, there has not arisen in the interval between the end of the March 2014 quarter end 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.