



West African Resources Limited

(ABN 70 121 539 375)

Condensed Interim Consolidated Financial Statements (Unaudited)

Three months ended 30 September 2018 and 2017

(Expressed in Australian Dollars)

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Notice of No Auditors' Review of Condensed Interim Financial Statements

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 three months ended 30 September 2018 have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Australian Dollars.

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Consolidated	
		Three Months Ended 30 September	
		2018 \$'000	2017 \$'000
Revenue from continuing operations		203	38
Foreign exchange gain		161	183
Regulatory and compliance expense		(76)	(90)
Office expense		(76)	(41)
Depreciation expense		(44)	-
Employee expense	3	(339)	(89)
Travel and accommodation expense		(40)	(16)
Property expense		(21)	(18)
Consulting fee expense		(132)	(206)
Directors' fees		(32)	-
Share based payments		(76)	-
Exploration and evaluation expenses		(772)	(4,531)
Impairment of other receivables		(346)	-
Loss before tax		(1,590)	(4,770)
Income tax benefit		-	-
Loss after tax		(1,590)	(4,770)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		25	(2)
Other comprehensive loss, net of income tax		25	(2)
Total comprehensive loss for the period attributable to the owners of West African Resources Limited		(1,565)	(4,772)
Loss per share for loss attributable to the ordinary equity holders of the Company			
Basic and diluted loss per share (cents per share)		(0.2)	(0.8)

The accompanying notes form part of the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Financial Position

	Note	Consolidated	
		30 September 2018 (unaudited) \$'000	30 June 2018 (audited) \$'000
CURRENT ASSETS			
Cash and cash equivalents		35,369	42,565
Trade and other receivables		1,092	713
Financial assets		37	37
Total Current Assets		36,498	43,315
NON-CURRENT ASSETS			
Property, plant & equipment		403	374
Mine properties	4	3,654	-
Total Non-Current Assets		4,057	374
TOTAL ASSETS		40,555	43,689
CURRENT LIABILITIES			
Trade and other payables		2,752	4,397
Total Current Liabilities		2,752	4,397
TOTAL LIABILITIES		2,752	4,397
NET ASSETS		37,803	39,292
EQUITY			
Issued capital	5	120,815	120,815
Reserves		6,755	6,654
Accumulated losses		(89,767)	(88,177)
TOTAL EQUITY		37,803	39,292

The accompanying notes form part of the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

	Consolidated	
	Three Months Ended 30 September	
	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities		
Payments to suppliers	(590)	(402)
Payments to employees	(248)	(144)
Exploration related expenditure	(2,076)	(4,399)
Feasibility and scoping expenditure	(392)	(228)
Interest received	288	43
Finance costs	(1)	-
Net cash outflow from operating activities	(3,019)	(5,130)
Cash Flows from Investing Activities		
Payments for plant and equipment	(100)	(62)
Development expenditure	(4,235)	-
Net cash outflow from investing activities	(4,335)	(62)
Cash Flows from Financing Activities		
Proceeds from issue of shares	-	17,339
Proceeds from exercise of share options	-	5,676
Payments for share issue costs	-	(1,186)
Net cash inflow from financing activities	-	21,829
Net increase / (decrease) in cash held	(7,354)	16,637
Cash at the beginning of the financial period	42,565	10,550
Effect of exchange rate changes on the balance of cash held in foreign currencies	158	189
Cash at the end of the financial period	35,369	27,376

The accompanying notes form part of the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Changes in Equity

	Consolidated				
	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payments Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	65,670	(62,877)	27	6,261	9,081
Loss after tax	-	(4,770)	-	-	(4,770)
Other comprehensive income for the year	-	-	(2)	-	(2)
Total comprehensive loss for the year	-	(4,770)	(2)	-	(4,772)
Shares issued during the year net of transaction costs	21,829	-	-	-	21,829
Share based payments	-	-	-	-	-
Balance at 30 September 2017	87,499	(67,647)	25	6,261	26,138
Balance at 1 July 2018	120,815	(88,177)	(48)	6,702	39,292
Loss after tax	-	(1,590)	-	-	(1,590)
Other comprehensive income for the year	-	-	25	-	25
Total comprehensive loss for the year	-	(1,590)	25	-	(1,565)
Shares issued during the year net of transaction costs	-	-	-	-	-
Share based payments	-	-	-	76	76
Balance at 30 September 2018	120,815	(89,767)	(23)	6,778	37,803

The accompanying notes form part of the condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended 30 September 2018 and 2017

1. Statement of Significant Accounting Policies

a) Basis of Accounting

These financial statements are general purpose financial statements which 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). They have also been prepared on the basis of historical cost and do not take into account changing money values. The accounting policies have been consistently applied, unless otherwise stated.

These financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this instrument applies.

West African Resources Limited (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 period ended 30 September 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to the Company and its subsidiaries' (the "Group") operations and effective for the current reporting period. 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 and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 September 2018. 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) Principles of Consolidation

The consolidated interim financial statements comprise the financial statements of West African Resources Limited and its subsidiaries. The interim 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.

d) **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. Compliance with AASB 134 ensures compliance with International Accounting Standard 34 ("IAS 34") 'Interim Financial Reporting'.

This condensed quarterly 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 2018 and any public announcements made by the Group during the reporting period in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

e) **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.

f) **Significant Accounting Judgements and Key Estimates**

The preparation of this interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report for the year ended 30 June 2018 with the exception of exploration and evaluation costs that are recorded as a development asset as explained below in notes 1(g) and 1(h).

g) **Exploration and Evaluation 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 or loss in the year in which the decision to abandon the tenement is made.

Where a decision has been made to proceed with development in respect of a particular area of interest, all future costs are recorded as a development asset.

Judgement: Following the issuance of the updated exploitation permit for the Sanbrado gold project on 18 July 2018, exploration and evaluation costs within the Sanbrado mining licence have been recorded as a development asset.

h) Mine Properties

Mines under construction

Exploration and evaluation costs are added to 'Mines under construction' which is a sub-category of 'Mine properties' after a decision has been made to proceed with development in respect of a particular area of interest and such development receives appropriate approvals.

All subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines' which is also a sub-category of 'Mine properties'.

2. Segment Reporting

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 Limited.

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

3. Employee Expenses

	Consolidated	
	Three Months Ended 30 September	
	2018	2017
	\$'000	\$'000
Salaries and wages	759	425
Other employee costs	97	6
Less: allocation to exploration expenses and mines under construction	(517)	(342)
Total employee expenses	339	89

4. Mine Properties

	Consolidated	
	30 September 2018 (unaudited) \$'000	30 June 2018 (audited) \$'000
Mines under construction		
Balance at 1 July 2018	-	-
Additions	3,627	-
Effects of movement in foreign exchange	27	-
Balance at 30 September 2018	3,654	-

5. Issued Capital

	Consolidated	
	30 September 2018 (unaudited) \$'000	30 June 2018 (audited) \$
690,824,727 fully paid ordinary shares	120,814,783	120,814,783
(a) Shares		
(i) Ordinary shares - number	No.	No.
At start of period	690,824,727	484,248,253
Issue of shares 26 July 2017	-	53,906,250
Issue of shares 23 August 2017 ¹	-	40,545,224
Issue of shares 20 February 2018 ¹	-	500,000
Issue of shares 20 February 2018 ¹	-	2,000,000
Issue of shares 15 May 2018	-	109,375,000
Issue of shares 15 May 2018 ¹	-	250,000
Balance at 30 September 2018	690,824,727	690,824,727
(ii) Ordinary shares – value	\$	\$
At start of period	120,814,783	65,669,714
Issue of shares 26 July 2017	-	17,338,426
Issue of shares 23 August 2017 ¹	-	5,676,331
Issue of shares 20 February 2018 ¹	-	72,500
Issue of shares 20 February 2018 ¹	-	290,000
Issue of shares 15 May 2018	-	35,000,000
Issue of shares 15 May 2018 ¹	-	25,000
Share issue costs	-	(3,257,188)
Balance at 30 September 2018	120,814,783	120,814,783

¹ Share issued on exercise of options

5. Issued Capital continued

	Consolidated	
	30 September 2018 (unaudited) No.	30 June 2018 (audited) No.
(b) Options		
At start of period	15,978,125	57,263,974
Issue of options 24 July 2017	-	1,078,125
Issue of options 18 October 2017	-	750,000
Issue of options 3 November 2017	-	2,750,000
Issue of options 29 March 2018	-	1,250,000
Issue of options 26 September 2018	500,000	-
Exercise of options	-	(43,295,224)
Expiry of options	(250,000)	(3,818,750)
Balance at 30 September 2018	16,228,125	15,978,125

6. Dividends

No dividends have been paid or declared payable since the start of the reporting period (30 September 2017: nil).

7. Related Party Disclosure

During the period, the Group did not enter into any transactions with related parties other than the following:

a) Compensation of Key Management Personnel

	Consolidated	
	Three Months Ended 30 September	
	2018 \$	2017 \$
Short-term employee benefits	196,812	143,505
Post-employment benefits	6,941	3,615
Share-based payments	52,360	60,523
	256,113	207,643

7. Related Party Disclosure continued

b) Other transactions and balances with of Key Management Personnel

	Consolidated	
	Three Months Ended 30 September	
	2018 \$	2017 \$
Directors		
<i>Transaction:</i> Fees paid to Dorado Corporate Services Pty Ltd which has provided company secretarial and accounting services to the company on normal commercial terms, for whom Mr Storm, Director and Company Secretary, is a director and shareholder. This excludes fees included as remuneration noted under 6(a).	32,591	-
<i>Balance:</i> Amount payable to Dorado Corporate Services Pty Ltd at balance date \$9,068 (30 June 2018: \$8,780).		
<i>Transaction:</i> 5.5% interest on the \$290,000 loan advance provided to the Managing Director on arms length terms to fund the exercise of 2,000,000 options at 14.5 cents, with maturity date of 31 December 2018.	4,021	-
<i>Balance:</i> Loan and interest at balance date \$299,703 (30 June 2018: \$295,682)		
<i>Transaction:</i> The Managing Director's spouse has provided office premises to the Company for \$440 per week at 14 Southbourne Street, Scarborough, Western Australia.	5,720	2,200
<i>Balance:</i> Amount payable to Managing Director's spouse at balance date: nil (30 June 2018: \$3,960).		
<i>Transaction:</i> Fees paid to Ausdrill Ltd. The Chairman, Mr Connelly was a director of Ausdrill Ltd (resigned June 2018) which through its wholly owned subsidiary, African Mining Services Burkina Faso SARL, has provided exploration drilling services to Societe des mines de Sanbrado SA, Wura Resources SARL and Tanlouka SARL on normal commercial terms. Mr Connelly is not party to any of these commercial negotiations. This excludes fees included as remuneration noted under 6(a).	-	190,407
<i>Balance:</i> Amount payable to Ausdrill Ltd at balance date: nil (30 June 2018: \$2,374,764).		
	42,332	192,607

8. Contingent Liabilities

There are no contingent liabilities at 30 September 2018 (30 June 2018: nil).

9. Share-Based Payment Plans

The following share-based payment arrangement was entered into during the quarters 30 September 2018 and 2017:

Unlisted Options - 30 September 2018					
Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date	Vesting Date
500,000	26-Sep-18	26-Sep-21	\$0.3100	\$0.13	First production of gold

Unlisted Options - 30 September 2017					
Number	Grant Date	Expiry Date	Exercise Price	Fair value at Grant Date	Vesting Date
1,078,125	24-Jul-17	24-Jul-19	\$0.3224	\$0.13	24-Jul-17

The fair value of the equity-settled share options granted under the option plan during the periods is estimated as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted as follows:

Unlisted Options - 30 September 2018						
Grant Date	Dividend Yield	Expected Volatility	Risk-Free Interest Rate	Expected Life of Option	Exercise Price	Share Price on Grant Date
26-Sep-18	0%	100%	2.3%	2 years	\$0.3100	\$0.285

Unlisted Options - 30 September 2017						
Grant Date	Dividend Yield	Expected Volatility	Risk-Free Interest Rate	Expected Life of Option	Exercise Price	Share Price on Grant Date
24-Jul-17	0%	63%	2.00%	2 years	\$0.3224	\$0.350

10. Subsequent Events After the Balance Date

On 22 October 2018, the Company announced that:

- a new high-grade gold mineralisation had been discovered during logging and sampling the backlog of pre-collar drill core approximately 180m east of the main zone at M1 South (“new parallel zone”); and
- infill drilling confirmed additional mineralisation 20m to 90m beneath current Indicated Resources and Probable Ore Reserves and the Company plans to extend the underground mine schedule by at least a further year at similar grades, as detailed in the June Updated Feasibility Study (ASX/TSXV: 22/6/2018).

On 6 November 2018, the Company announced that:

- it had awarded the engineering, procurement, and construction management (EPCM) of the Sanbrado process plant and associated infrastructure to Lycopodium, via a conditional letter of intent for the engineering and procurement portions;
- it had selected Outotec to supply 4MW semi-autogenous grinding (SAG) mill and 4MW ball mill for the Sanbrado plant, and this larger than Feasibility Study mill package will be incorporated into the new mining and plant optimisation study that is on track to be completed by the March quarter of 2019;
- it had completed a number of key expatriate hires for the Sanbrado construction owner’s team; and

10. Subsequent Events After the Balance Date continued

- it started construction of early works at Sanbrado. This includes the first stage of the 210-room camp at the Sanbrado project site, comprised of an initial 60 rooms and common facilities for use during the construction phase by late March 2019, and earthworks on the box cut for the underground access.

Other than above, there has not arisen in the interval between 30 September 2018 and the date of this report any item, transaction or event of a material and unusual nature, which in the opinion of the Directors of the Company, is likely to significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.