



# **West African Resources Limited**

ABN 70 121 539 375

## **MANAGEMENT'S DISCUSSION AND ANALYSIS** for the three months ended 30 September 2018

Dated 14 November 2018

# West African Resources Limited

## Management's Discussion and Analysis

### for three months ending 30 September 2018

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#### GENERAL

Presented below is a discussion of the activities, results of operations and financial condition of West African Resources Ltd (the "Company") for the 3-month period ended 30 September 2018, compared to the same period in the preceding year. This management discussion and analysis ("MD&A") was prepared using information available as of 13 November 2018 and should be read in conjunction with the Company's unaudited financial statements for the 3-month period ended 30 September 2018 and notes thereto (the "Interim Financial Statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS") for interim reporting. This MD&A should also be read in conjunction with the audited financial statements for the year ended 30 June 2018, and notes thereto. The Interim Financial Statements include the accounts of the Company and its subsidiaries. All monetary amounts referred to herein are in Australian dollars unless otherwise stated.

Additional information relating to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com), on the Company's website at [www.westafricanresources.com](http://www.westafricanresources.com).

#### CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian and Australian securities legislation, including information relating to West African's future financial or operating performance that may be deemed "forward looking". All statements in this MD&A, other than statements of historical fact, that address events or developments that the Company expects to occur, are "forward-looking statements". Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "does not expect", "plans", "anticipates", "does not anticipate", "believes", "intends", "estimates", "projects", "potential", "scheduled", "forecast", "budget" and similar expressions, or that events or conditions "will", "would", "may", "could", "should" or "might" occur. All such forward-looking statements are based on the opinions and estimates of the relevant management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond the Company's ability to control or predict. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements.

In the case of this MD&A, these forward-statements include statements regarding anticipated operations in future periods, appointing a debt financier or banking syndicate before the end of the 2018 calendar year, the conclusion of project financing for the Sanbrado Project, the commencement of early works at the Sanbrado Project, the awarding of an EPCM contract, the completion of a 1,000m diamond core hold targeting ultra high-grade shoot extension 200m below M1 South, and plans related to its business and other matters that may occur in the future, including the availability of future funding for the development of the project. This information relates to analyses and other information that is based on expectations of future performance and planned work programs.

As well, all of the results of the feasibility study on the Sanbrado Project constitute forward-looking information, including estimates of internal rates of return, net present value, future production, estimates of cash cost, assumed long term price for gold, proposed mining plans and methods, mine life estimates, cashflow forecasts, metal recoveries, and estimates of capital and operating costs. Furthermore, with respect to this specific forward-looking information concerning the development of the Sanbrado Gold Project, the Company has based its assumptions and analysis on certain factors that are inherently uncertain. Uncertainties include among others:

- i. the adequacy of infrastructure;
- ii. unforeseen changes in geological characteristics;
- iii. metallurgical characteristics of the mineralization;
- iv. the price of gold;
- v. the availability of equipment and facilities necessary to complete development and commence operations;
- vi. the cost of consumables and mining and processing equipment;
- vii. unforeseen technological and engineering problems;
- viii. accidents or acts of sabotage or terrorism;
- ix. currency fluctuations;
- x. changes in laws or regulations;
- xi. the availability and productivity of skilled labour;
- xii. the regulation of the mining industry by various governmental agencies; and
- xiii. political factors.

This MD&A also contains references to estimates of Mineral Resources and Mineral Reserves. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including estimated future production from the project, the anticipated tonnages and grades that will be mined and the estimated level of recovery that

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will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on:

- i. fluctuations in gold price;
- ii. results of drilling;
- iii. metallurgical testing and other studies;
- iv. proposed mining operations, including dilution;
- v. the evaluation of mine plans subsequent to the date of any estimates; and
- vi. the possible failure to receive, or changes in, required permits, approvals and licenses.

Mineral Reserves are also disclosed in this release. Mineral Reserves are those portions of Mineral Resources that have demonstrated economic viability after taking into account all mining factors. Mineral Reserves may, in the future, cease to be a Mineral Reserve if economic viability can no longer be demonstrated because of, among other things, adverse changes in commodity prices, changes in law or regulation or changes to mine plans. Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Forward-looking information is subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking information, including, without limitation: exploration hazards and risks; risks related to exploration and development of natural resource properties; uncertainty in West African's ability to obtain funding for exploration and/or development of the Sanbrado Project; gold price fluctuations; recent market events and conditions; risks related to the uncertainty of mineral resource calculations and the inclusion of inferred mineral resources in economic estimation; risks related to governmental regulations; risks related to obtaining necessary licenses and permits; risks related to their business being subject to environmental laws and regulations; risks related to their mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title; risks relating to competition from larger companies with greater financial and technical resources; risks relating to the inability to meet financial obligations under agreements to which they are a party; ability to recruit and retain qualified personnel; and risks related to their directors and officers becoming associated with other natural resource companies which may give rise to conflicts of interests. This list is not exhaustive of the factors that may affect West African's forward-looking information. Should one or more of these risks and uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking information.

West African's forward-looking information is based on the reasonable beliefs, expectations and opinions of their respective management on the date the statements are made and West African does not assume any obligation to update forward looking information if circumstances or management's beliefs, expectations or opinions change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking information. For a complete discussion with respect to West African, please refer to West African's financial statements and other filings all of which are filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **COMPANY OVERVIEW**

The Company is incorporated in Australia and trades on the Australian Securities Exchange ("ASX") and the TSX Venture Exchange ("TSX-V") under the symbol "WAF". The Company is a reporting issuer in Canada in the provinces of British Columbia, Alberta, Saskatchewan and Ontario.

The Company and its subsidiaries (the "Group" or "West African") are engaged in mineral exploration and development in West Africa. West African's key asset is the Sanbrado Gold Project ("Sanbrado"), located in Burkina Faso. West African owns a 90% beneficial interest in Société des Mines de Sanbrado SA, which owns the Sanbrado exploitation permit. The government of Burkina Faso retains a 10% carried interest. The Group's mineral portfolio also includes gold and copper-gold exploration permits in Burkina Faso.

## **SEPTEMBER 2018 QUARTER HIGHLIGHTS**

Presented below are the highlights for the 3-month period ended 30 September 2018.

## **Sanbrado**

### **M1 South diamond drilling**

High-grade results from step down and infill drilling at M1 South include:

- TAN18-DD214A: 0.5m at 520 g/t Au from 578m
- TAN18-DD214A: 23m at 7.3 g/t Au from 617m including 4m at 24.4 g/t Au
- TAN18-DD189-WD1: 10m at 8.1 g/t Au from 646.5m, including 0.5m at 61.7 g/t Au
- TAN18-DD196-WD2: 10.5m at 8.8 g/t Au from 648m, including 0.5m at 138 g/t Au
- TAN18-DD214A-WD1: 21.5m at 15.3 g/t Au from 614m, including 0.5m at 115 g/t Au
- TAN18-DD214A-WD2: 14.5m at 19.9 g/t Au from 595.5m, including 1m at 219 g/t Au

Parallel high-grade zone at M1 South intercepted 300m below surface, 180m east of main zone include:

- TAN18-DD189-WD2: 2m at 138.4 g/t Au from 449m
- TAN18-DD189: 5.5m at 15.5 g/t Au from 452.5m including 1.5m at 48.3 g/t Au
- TAN18-DD214A-WD2: 8m at 6.0 g/t Au from 396m, including 1m at 30.0 g/t Au

### **Other projects**

No work was completed during the quarter in the Group's other projects.

### **Corporate summary**

- Updated mining permit awarded for Sanbrado
- Chief Development Officer appointed for Sanbrado construction
- Strong interest received from debt financiers to fund construction, with non-binding debt offers ranging from US\$160m to US\$215m
- Updated Feasibility Study NI 43-101 report filed on SEDAR
- Presented at Diggers & Dealers conference Kalgoorlie, Precious Metals Summit and Denver Gold Forum Colorado USA

### **December 2018 quarter plans**

In the upcoming quarter, the Company intends to:

- 1,000m diamond core hole targeting ultra high-grade shoot extension 200m below M1 South
- Further key hires for WAF owner's team for Sanbrado build
- Commencement of early works, including box cut at M1 South
- Progress the infill and step-out drilling results from M1 South
- Award of EPCM contract and mill order
- Appointment of a debt financier or syndicate for the Sanbrado build

Please refer to the 'Liquidity and capital resources' section of this MD&A for additional information on the expenditures planned for the 3-month period ended 31 December 2018.

## **SANBRADO EXPLORATION OVERVIEW**

### **M1 South drilling program**

#### **Step down drilling**

During the quarter step out and down drilling in TAN18-DD214A returned significant results including 0.5m at 520 g/t Au from 578m and 23m at 7.3 g/t Au from 617m including 3.5m at 20.2 g/t Au, 4m at 24.4 g/t Au and 1.5m at 21.5 g/t Au. TAN18-DD217A also returned 6.5m at 6.8 g/t Au from 603.5m including 0.5m at 35.7 g/t Au. All five step down holes across 120m strike have returned significant assays from 500m to 520m below surface. From southeast to northwest significant results from parent diamond core holes beneath existing reserves include:

- TAN18-DD216: 2m at 5.1 g/t Au from 681.5m and 9m at 3 g/t Au from 705.5m
- TAN18-DD196: 8m at 7.0 g/t from 693 including 1.5m at 21.6 g/t Au and 1m at 9.2 g/t Au 705.5m
- TAN18-DD189: 11m at 11.2 g/t from 654 including 1m at 39.8 g/t Au and 6m at 24.4 g/t Au from 675m including 0.5m at 240 g/t Au
- TAN18-DD214A: 0.5m at 520 g/t Au from 578m and 23m at 7.3 g/t Au from 617m including 3.5m at 20.2 g/t Au, 4m at 24.4 g/t Au and 1.5m at 21.5 g/t Au
- TAN18-DD217A: 6.5m at 6.8 g/t Au from 603.5m including 0.5m at 35.7 g/t Au.

#### **Infill Drilling**

Infill drilling between new step-down results and the base of current Indicated Resources and Probable Ore Reserves followed on during the September quarter. Drilling covered more than 120m of strike of the main M1 South high-grade shoot which remains open and high grade at depth, to the southeast and northwest. Infill drilling results from southeast to northwest included some outstanding results including:

- TAN18-DD196-WD1: 12m at 3.4 g/t Au from 656.5m
- TAN18-DD196-WD1: 0.5m at 192 g/t Au from 690m
- TAN18-DD196-WD2: 1m at 18.1 g/t Au from 637m
- TAN18-DD196-WD2: 10.5m at 8.8 g/t Au from 648m, including 0.5m at 138 g/t Au
- TAN18-DD196-WD2: 1m at 36.9 g/t Au from 667.5m
- TAN18-DD189-WD1: 10m at 8.1 g/t Au from 646.5m, including 0.5m at 33.8 g/t Au, 0.5m at 61.7 g/t Au
- TAN18-DD189-WD1: 2.5m at 7.6 g/t Au from 666m
- TAN18-DD189-WD1: 3m at 13.8 g/t Au from 682m, including 0.5m at 71.5 g/t Au
- TAN18-DD189-WD2: 11m at 5.9 g/t Au from 639m, including 0.5m at 39.8 g/t Au
- TAN18-DD189-WD2: 0.5m at 33.7 g/t Au from 675.5m
- TAN18-DD214A-WD1: 21.5m at 15.3 g/t Au from 614m, including 0.5m at 102 g/t Au, 0.5m at 115 g/t Au, 0.5m at 42 g/t Au, 0.5m at 87.9 g/t Au and 0.5m at 39.7 g/t Au
- TAN18-DD214A-WD2: 14.5m at 19.9 g/t Au from 595.5m, including 1m at 219 g/t Au, 1m at 46.9 g/t Au

Infill drilling is expected 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 June 2018). Results at depth from parent holes and wedges from TAN18-DD216, TAN18-DD196, TAN18-DD189, TAN18-DD214A and TAN18-DD217A demonstrate that step down drilling at depth remains a high priority in the Company's exploration strategy.

#### **New Parallel Zone 180m northeast of Main Zone**

New high-grade gold mineralisation was discovered during logging and sampling the backlog of pre-collar drill core approximately 180m east of the main zone at M1 South during the September quarter with TAN18-DD189-WD2 returning 2m at 138.4 g/t Au from 449m. This was in addition to mineralisation at 578m in TAN18-DD214A which returned 0.5m at 520 g/t.

Relogging of parent hole TAN18-DD189 identified visible gold at 455m which returned 5.5 m at 15.5 g/t Au from 452.5m including 1.5 m at 48.3 g/t Au. A further 50m along strike to the north in TAN18-DD214-WD2 gold mineralisation was intercepted at 396m down hole returning 8m at 6.0 g/t Au, including 1m at 30.0 g/t Au.

This new zone of mineralisation remains open along strike and at depth and will be tested with further drilling, while a backlog of some 7,300m of drill core from 29 diamond core holes (including wedges) is still being processed. Logging and sampling of drill core through the expected zones of mineralisation for M1 South was expedited to be included in the June Updated Feasibility Study. Sampling of the pre-collar holes was always planned to be completed during the wet season (July–September).

Due to the consistent high-grade results the deposit has delivered since discovery in early 2016, the Company has commenced an aggressive 1,000m diamond core hole designed to intercept ultra high-grade gold mineralisation more than 200m beneath the deepest drilling intercept, and nearly 300m beneath current reserves. The hole is scheduled to be completed during the December 2018 quarter.

A summary plan, a long-section and two cross-sections through M1 South are presented as Figures 1-5. Photo 1 shows visible gold intercepted in TAN18-DD214A which is typical for the M1 South deposit. A summary of significant intercepts is presented in Table 1 (2 g/t Au Cut Off) and Table 2 (30 g/t Au Cut Off).



**Photo 1: TAN18-DD214A: Strong visible gold at 578m down hole – assayed at 520 g/t Au**

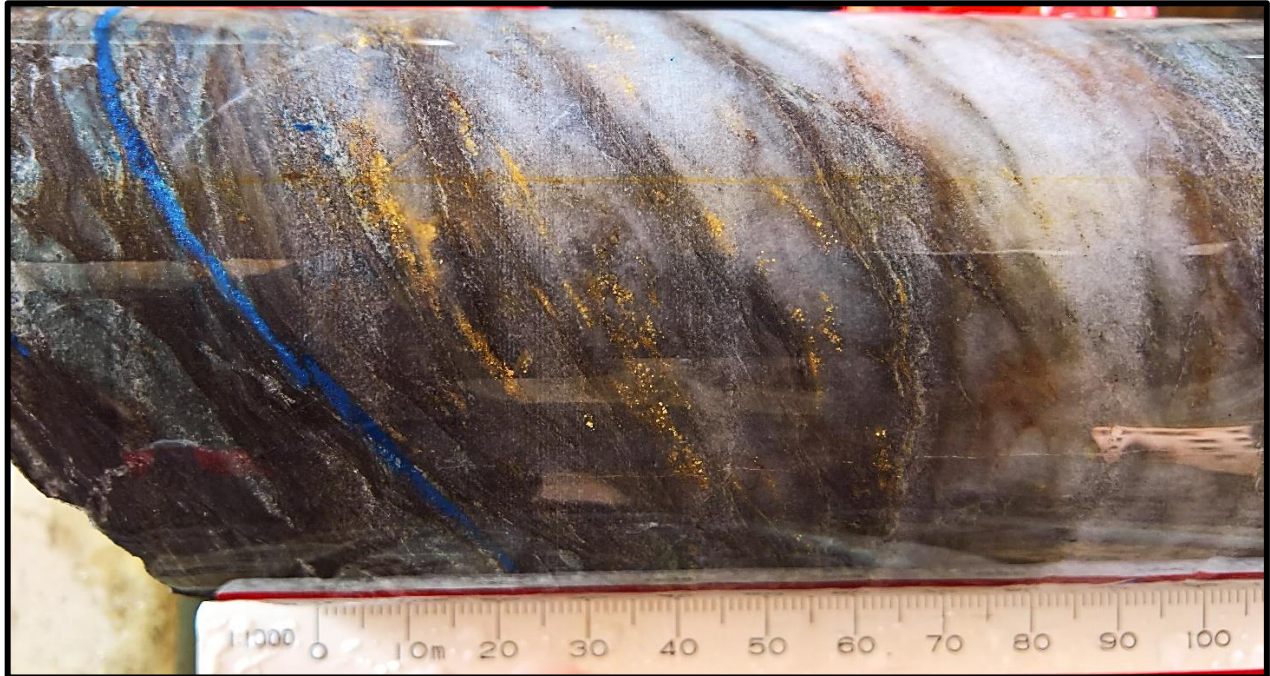


Figure 1: Sanbrado Gold Project Layout

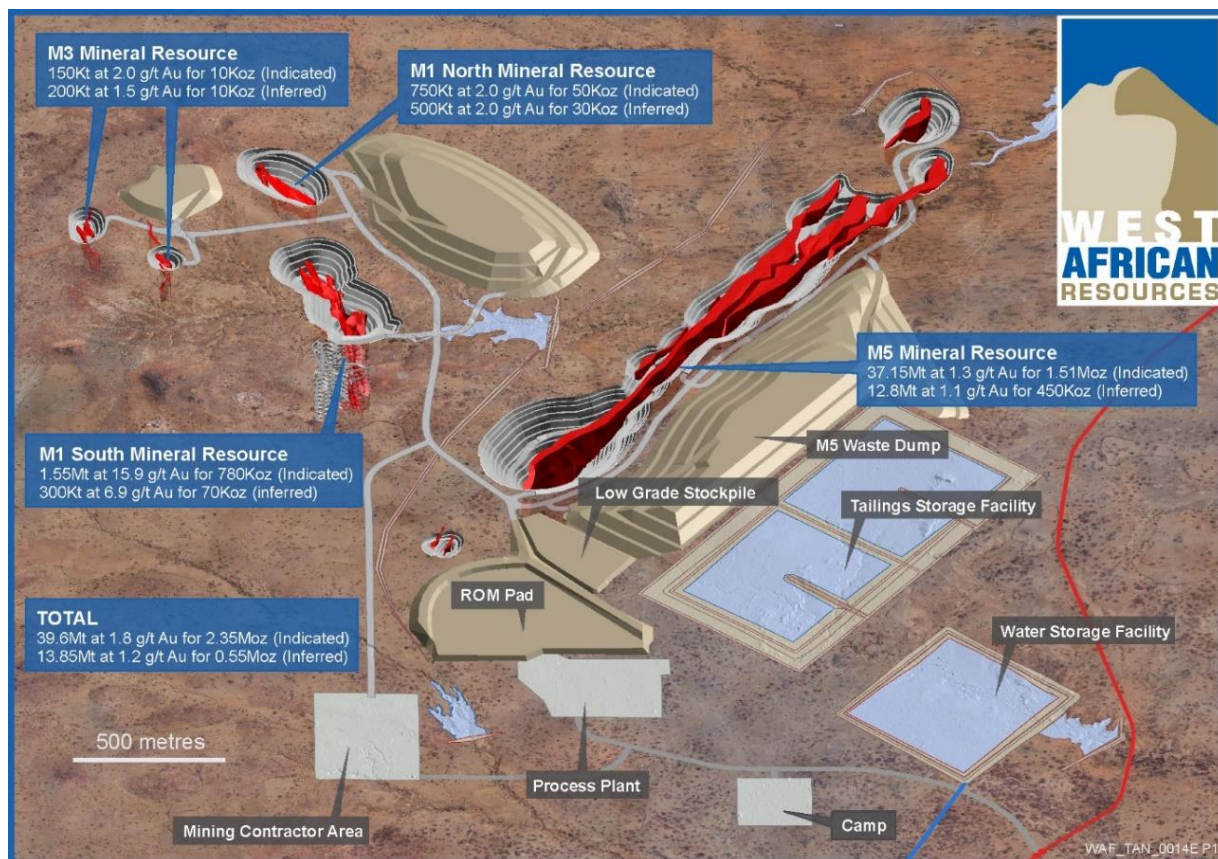




Figure 2: M1 South – Summary Plan

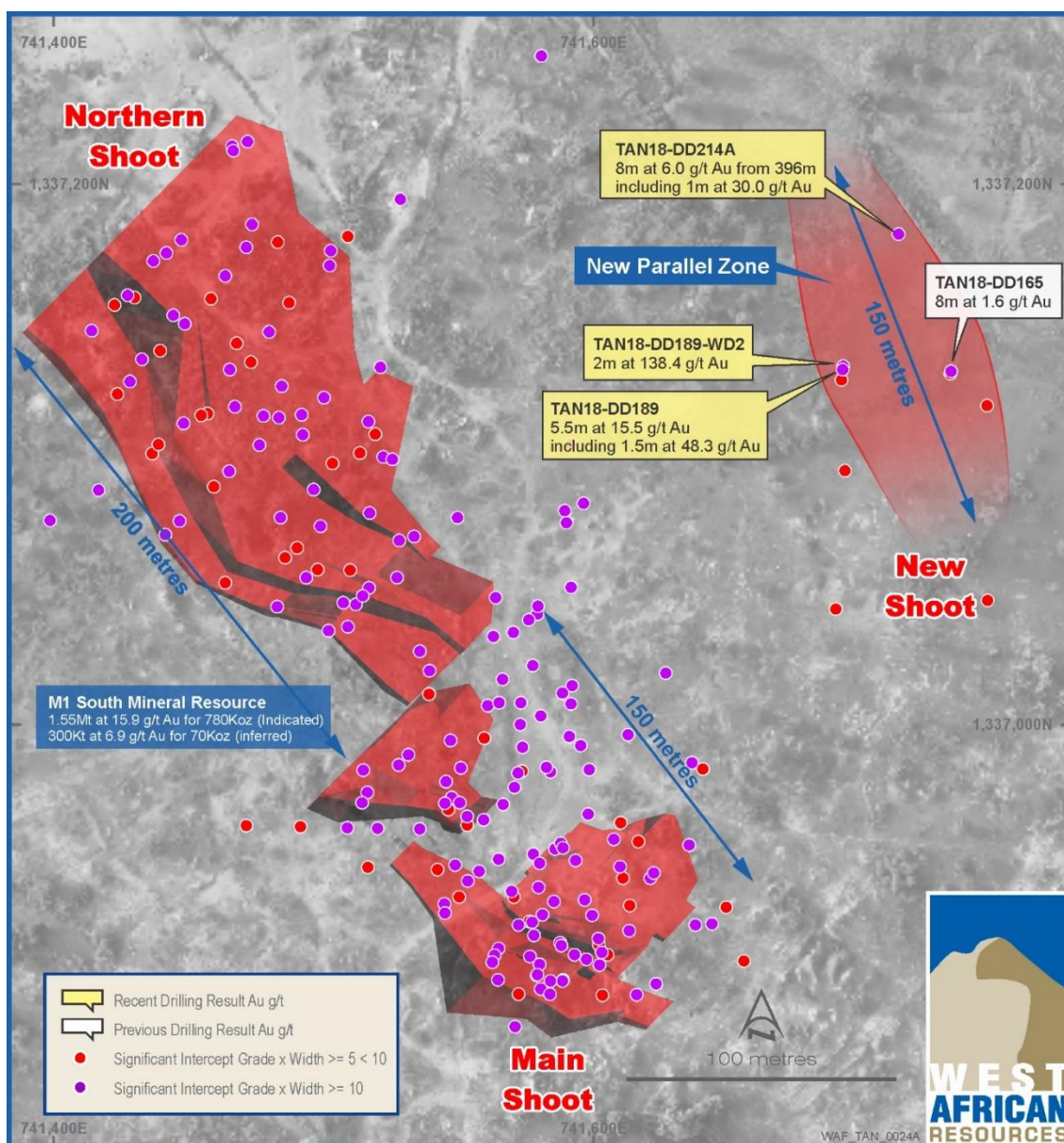


Figure 3: M1 South – SE0350 Cross Section

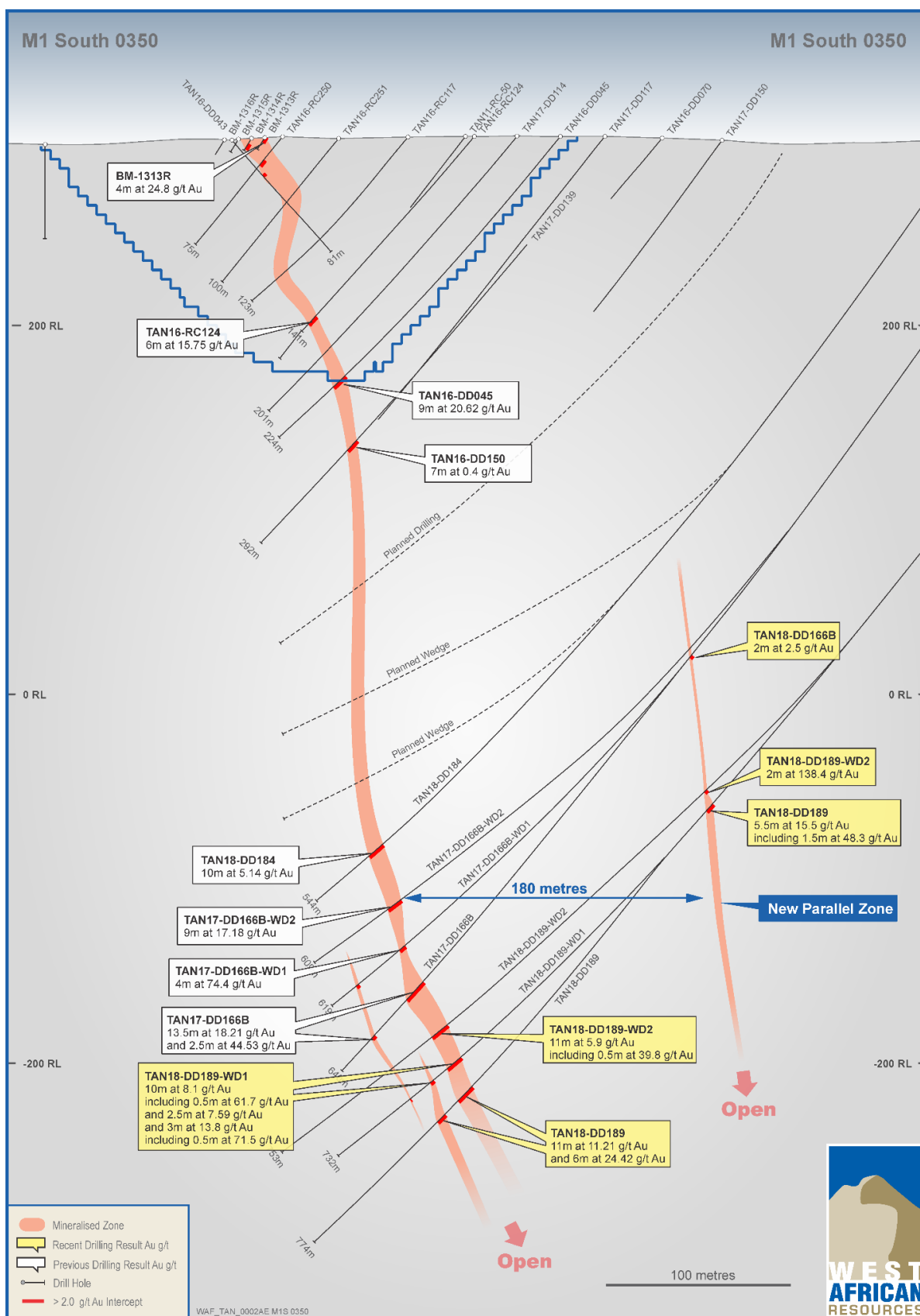


Figure 4: M1 South – SE0325 Cross Section

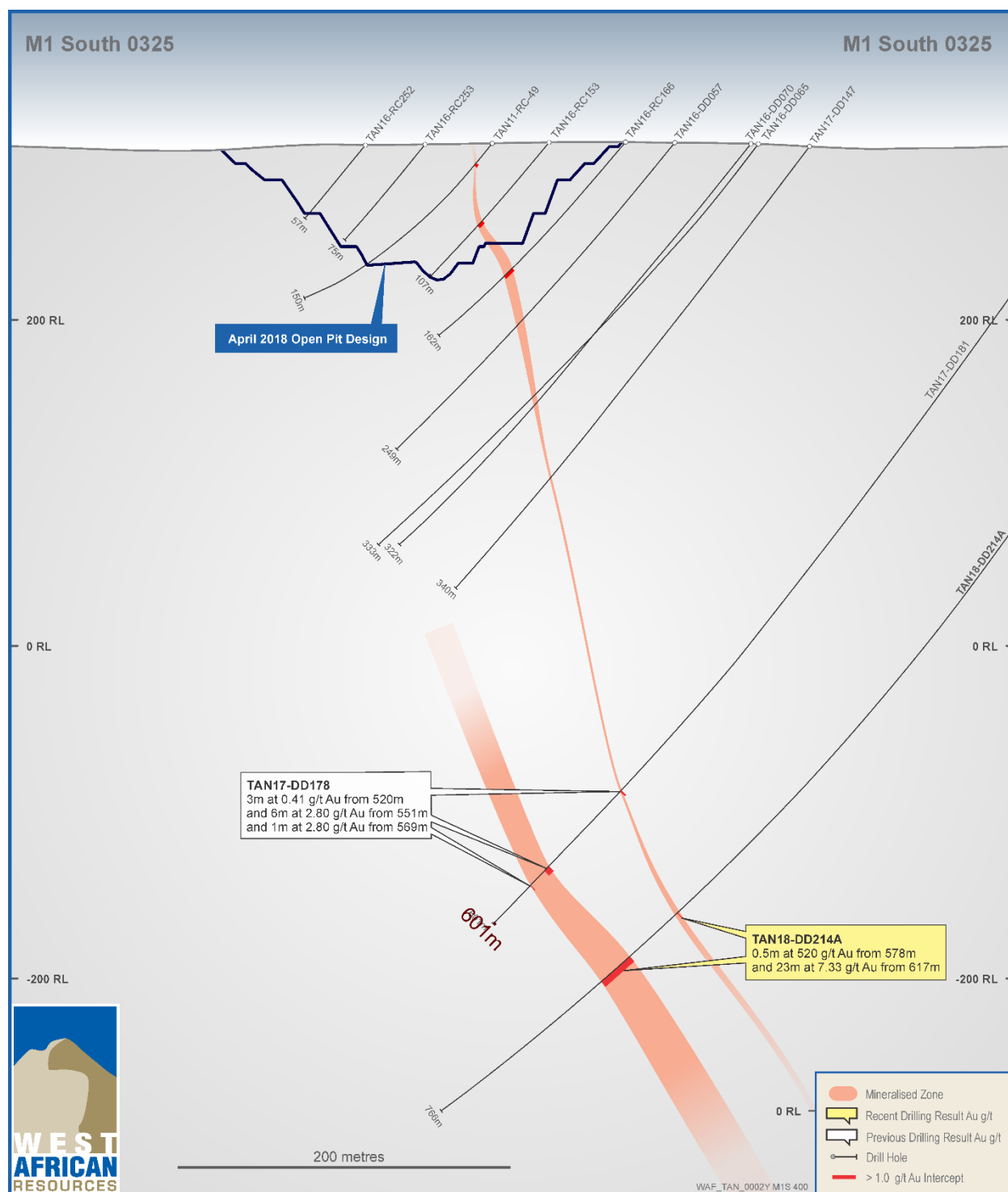
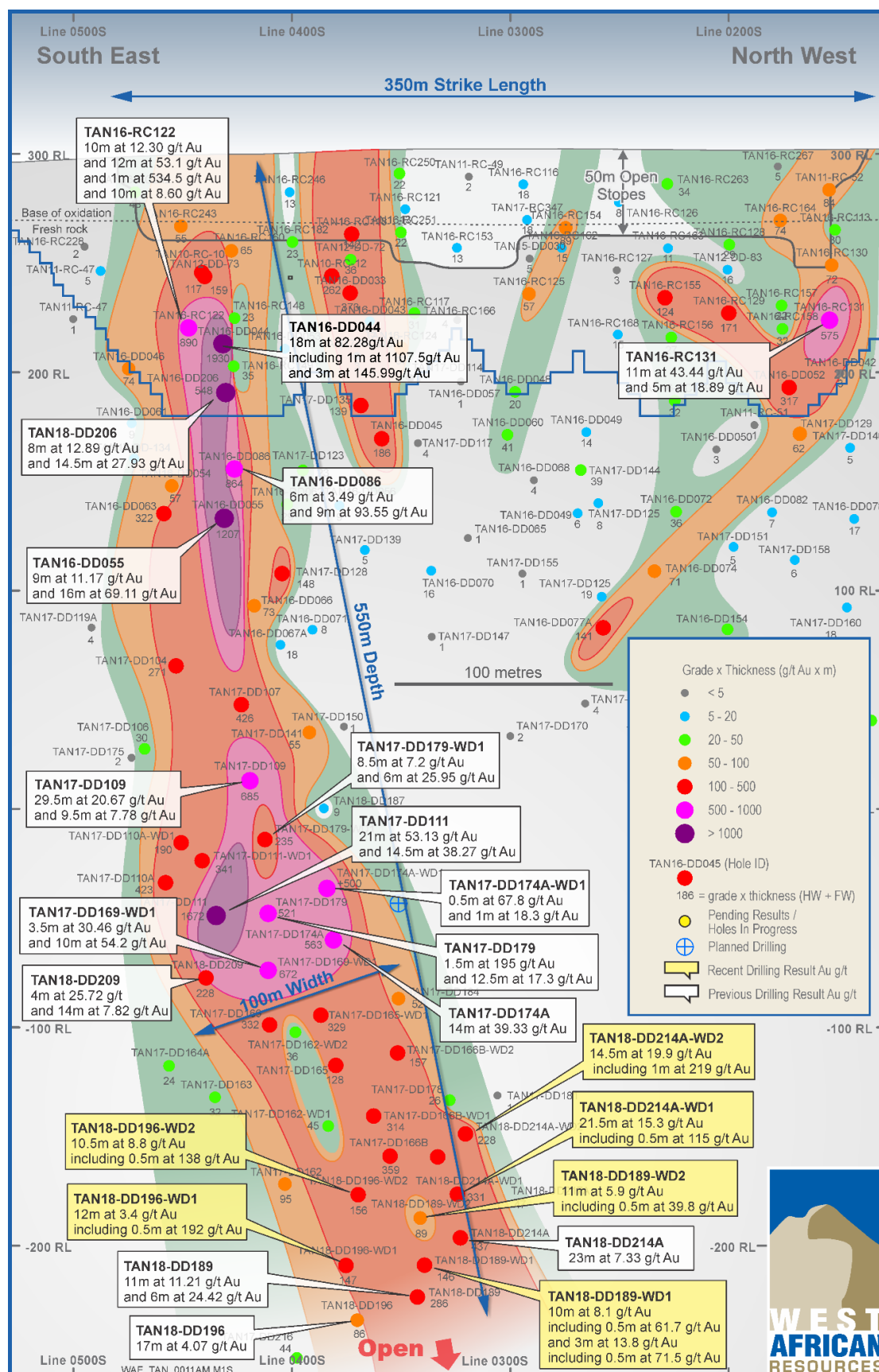


Figure 5: M1 South – Long Section



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Table 1 M1 South Deposit Diamond Drilling Results at 2g/t Cutoff												
Hole ID	From	To	Interval	Au g/t	Dip	Azi	EOH	Easting	Northing	RL	Section	Prospect
TAN18-DD184	0	496.5	496.5	NSR	-55	230	543.64	741801	1337220	300	SE0375	Mka1 S
TAN18-DD184	496.5	506.5	10	5.14								
TAN18-DD184	506.5	543.64	37.14	NSR								
TAN18-DD187	0	378	378	NSR	-55	230	450.3	741748	1337138	297	SE0400	Mka1 S
TAN18-DD187	378	378.5	0.5	2.64								
TAN18-DD187	378.5	389.5	11	NSR								
TAN18-DD187	389.5	391.5	2	3.28								
TAN18-DD187	391.5	394.5	3	NSR								
TAN18-DD187	394.5	395	0.5	2.38								
TAN18-DD187	395	450.3	55.3	NSR								
TAN18-DD189	0	452.5	452.5	NSR	-57	230	774.3	741899	1337313	301	SE0375	Mka1 S
TAN18-DD189	452.5	458	5.5	15.47								
TAN18-DD189	458	654	196	NSR								
TAN18-DD189	654	665	11	11.21								
TAN18-DD189	665	675	10	NSR								
TAN18-DD189	675	681	6	24.42								
TAN18-DD189	681	695	14	NSR								
TAN18-DD189	695	695.5	0.5	19.9								
TAN18-DD189	695.5	774.3	78.8	NSR								
TAN18-DD189-WD1	0	646.5	646.5	NSR	-57	230	732.4	741899	1337313	301	SE0375	Mka1 S
TAN18-DD189-WD1	646.5	656.5	10	8.14								
TAN18-DD189-WD1	656.5	666	9.5	NSR								
TAN18-DD189-WD1	666	668.5	2.5	7.59								
TAN18-DD189-WD1	668.5	682	13.5	NSR								
TAN18-DD189-WD1	682	685	3	13.82								
TAN18-DD189-WD1	685	732.4	47.4	NSR								
TAN18-DD189-WD2	0	449	449	NSR	-57	230	753	741899	1337313	301	SE0375	Mka1 S
TAN18-DD189-WD2	449	451	2	138.40								
TAN18-DD189-WD2	451	639	188	NSR								
TAN18-DD189-WD2	639	650	11	5.94								
TAN18-DD189-WD2	650	656	6	NSR								
TAN18-DD189-WD2	656	657.5	1.5	2.81								
TAN18-DD189-WD2	657.5	675.5	18	NSR								
TAN18-DD189-WD2	675.5	676	0.5	33.7								
TAN18-DD189-WD2	676	753	77	NSR								
TAN18-DD196	0	676	676	NSR	-60	230	756.9	741916	1337294	301	SE0400	Mka1 S
TAN18-DD196	676	676.5	0.5	17.9								
TAN18-DD196	676.5	683.5	7	NSR								
TAN18-DD196	683.5	684	0.5	8.63								
TAN18-DD196	684	693	9	NSR								
TAN18-DD196	693	710	17	4.07								
TAN18-DD196	710	756.9	46.9	NSR								
TAN18-DD196-WD1	0	656.5	656.5	NSR	-60	230	747.6	741916	1337294	301	SE0400	Mka1 S
TAN18-DD196-WD1	656.5	668.5	12	3.40								
TAN18-DD196-WD1	668.5	684	15.5	NSR								
TAN18-DD196-WD1	684	684.5	0.5	2.61								
TAN18-DD196-WD1	684.5	690	5.5	NSR								
TAN18-DD196-WD1	690	690.5	0.5	192								
TAN18-DD196-WD1	690.5	747.6	57.1	NSR								
TAN18-DD196-WD2	0	637	637	NSR	-60	230	702.6	741916	1337294	301	SE0400	Mka1 S
TAN18-DD196-WD2	637	638	1	18.08								
TAN18-DD196-WD2	638	646	8	NSR								
TAN18-DD196-WD2	646	658.5	12.5	7.64								
TAN18-DD196-WD2	658.5	667.5	9	NSR								
TAN18-DD196-WD2	667.5	668.5	1	36.85								
TAN18-DD196-WD2	668.5	702.6	34.1	NSR								



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TAN18-DD206	0	126	126	NSR	-52	225	183.2	741640	1336992	301	SE0425	Mka1 S
TAN18-DD206	126	134	8	13.60								
TAN18-DD206	134	142.5	8.5	NSR								
TAN18-DD206	142.5	157	14.5	27.93								
TAN18-DD206	157	170.5	13.5	NSR								
TAN18-DD206	170.5	172	1.5	22.10								
TAN18-DD206	172	183.2	11.2	NSR								
TAN18-DD209	0	423	423	NSR	-55	230	555.2	741834	1337121	298	SE0475	Mka1 S
TAN18-DD209	423	423.5	0.5	2.4								
TAN18-DD209	423.5	425.5	2	NSR								
TAN18-DD209	425.5	426	0.5	2.64								
TAN18-DD209	426	440.5	14.5	NSR								
TAN18-DD209	440.5	444.5	4	25.72								
TAN18-DD209	444.5	456	11.5	NSR								
TAN18-DD209	456	456.5	0.5	2.04								
TAN18-DD209	456.5	482	25.5	NSR								
TAN18-DD209	482	496	14	7.82								
TAN18-DD209	496	555.2	59.2	NSR								
TAN18-DD214	0	13.5	13.5	NSR	-61	230	13.5	741882	1337327	301	SE0350	Mka1 S
TAN18-DD214A	0	578	578	NSR	-62	230	765.5	741881	1337330	301	SE0350	Mka1 S
TAN18-DD214A	578	578.5	0.5	520								
TAN18-DD214A	578.5	617	38.5	NSR								
TAN18-DD214A	617	640	23	7.33								
TAN18-DD214A	640	674	34	NSR								
TAN18-DD214A	674	674.5	0.5	2.4								
TAN18-DD214A	674.5	765.5	91	NSR								
TAN18-DD214A-WD1	0	584	584	NSR	-62	230	702.5	741881	1337330	301	SE0350	Mka1 S
TAN18-DD214A-WD1	584	584.5	0.5	2.34								
TAN18-DD214A-WD1	584.5	586.5	2	NSR								
TAN18-DD214A-WD1	586.5	587	0.5	3.85								
TAN18-DD214A-WD1	587	614	27	NSR								
TAN18-DD214A-WD1	614	635.5	21.5	15.31								
TAN18-DD214A-WD1	635.5	702.5	67	NSR								
TAN18-DD214A-WD2	0	396	396	NSR	-62	230	696.5	741881	1337330	301	SE0350	Mka1 S
TAN18-DD214A-WD2	396	397	1	30								
TAN18-DD214A-WD2	397	403	6	NSR								
TAN18-DD214A-WD2	403	404	1	18								
TAN18-DD214A-WD2	404	595.5	191.5	NSR								
TAN18-DD214A-WD2	595.5	610	14.5	19.88								
TAN18-DD214A-WD2	610	696.5	86.5	NSR								
TAN18-DD216	0	681.5	681.5	NSR	-60	230	783.3	741930	1337278	301	SE0425	Mka1 S
TAN18-DD216	681.5	683.5	2	5.13								
TAN18-DD216	683.5	689.5	6	NSR								
TAN18-DD216	689.5	690	0.5	2.47								
TAN18-DD216	690	705.5	15.5	NSR								
TAN18-DD216	705.5	714.5	9	3.02								
TAN18-DD216	714.5	783.3	68.8	NSR								
TAN18-DD217	0	16.6	16.6	NSR	-60	230	16.6	741864	1337343	302	SE0325	Mka1 S
TAN18-DD217A	0	417	417	NSR	-60	230	702.3	741862	1337345	302	SE0325	Mka1 S
TAN18-DD217A	417	418	1	2.03								
TAN18-DD217A	418	424	6	NSR								
TAN18-DD217A	424	425	1	2								
TAN18-DD217A	425	603.5	178.5	NSR								
TAN18-DD217A	603.5	610	6.5	6.83								
TAN18-DD217A	610	702.3	92.3	NSR								
TAN18-DD217A-WD1	0	415	415	NSR	-60	230	699.5	741862	1337345	302	SE0325	Mka1 S
TAN18-DD217A-WD1	415	417	2	17.41								
TAN18-DD217A-WD1	417	699.5	282.5	NSR								
TAN18-DD218	0	218.3	218.3	NSR	-53	227	218.3	741768	1336836	296	SE0625	Mka1 S
TAN18-DD219	0	245.5	245.5	NSR	-52	223	245.5	741727	1336866	298	SE0575	Mka1 S
TAN18-GT19	0	291.4	291.4	NSR	-50	45	291.4	741379	1336811	300	SE0375	Mka1 S

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<p align="center"><b>Table 2</b>  <b>M1 South Deposit</b>  <b>Diamond Drilling Results at 30g/t Cutoff</b></p>												
Hole ID	From	To	Interval	Au g/t	Dip	Azi	EOH	Easting	Northing	RL	Section	Prospect
TAN18-DD184	0	505.5	505.5	NSR	-55	230	543.64	741801	1337220	300	SE0375	Mka1 S
TAN18-DD184	505.5	506	0.5	33.9								
TAN18-DD184	506	543.64	37.64	NSR								
TAN18-DD187	0	450.3	450.3	NSR	-55	230	450.3	741748	1337138	297	SE0400	Mka1 S
TAN18-DD189	0	455.5	455.5	NSR	-57	230	774.3	741899	1337313	301	SE0375	Mka1 S
TAN18-DD189	455.5	457	1.5	48.31								
TAN18-DD189	457	655	198	NSR								
TAN18-DD189	655	656	1	39.8								
TAN18-DD189	656	680.5	24.5	NSR								
TAN18-DD189	680.5	681	0.5	240								
TAN18-DD189	681	774.3	93.3	NSR								
TAN18-DD189-WD1	0	651.5	651.5	NSR	-57	230	732.4	741899	1337313	301	SE0375	Mka1 S
TAN18-DD189-WD1	651.5	652	0.5	33.8								
TAN18-DD189-WD1	652	653.5	1.5	NSR								
TAN18-DD189-WD1	653.5	654	0.5	61.7								
TAN18-DD189-WD1	654	684.5	30.5	NSR								
TAN18-DD189-WD1	684.5	685	0.5	71.5								
TAN18-DD189-WD1	685	732.4	47.4	NSR								
TAN18-DD189-WD2	0	449	449	NSR	-57	230	753	741899	1337313	301	SE0375	Mka1 S
TAN18-DD189-WD2	449	451	2	138.40								
TAN18-DD189-WD2	451	639	188	NSR								
TAN18-DD189-WD2	639	639.5	0.5	39.8								
TAN18-DD189-WD2	639.5	675.5	36	NSR								
TAN18-DD189-WD2	675.5	676	0.5	33.7								
TAN18-DD189-WD2	676	753	77	NSR								
TAN18-DD196	0	693.5	693.5	NSR	-60	230	756.9	741916	1337294	301	SE0400	Mka1 S
TAN18-DD196	693.5	694	0.5	37.9								
TAN18-DD196	694	756.9	62.9	NSR								
TAN18-DD196-WD1	0	690	690	NSR	-60	230	747.6	741916	1337294	301	SE0400	Mka1 S
TAN18-DD196-WD1	690	690.5	0.5	192								
TAN18-DD196-WD1	690.5	747.6	57.1	NSR								
TAN18-DD196-WD2	0	657	657	NSR	-60	230	702.6	741916	1337294	301	SE0400	Mka1 S
TAN18-DD196-WD2	657	657.5	0.5	138								
TAN18-DD196-WD2	657.5	667.5	10	NSR								
TAN18-DD196-WD2	667.5	668.5	1	36.85								
TAN18-DD196-WD2	668.5	702.6	34.1	NSR								
TAN18-DD206	0	132	132	NSR	-52	225	183.2	741640	1336992	301	SE0425	Mka1 S
TAN18-DD206	132	132.5	0.5	183								
TAN18-DD206	132.5	142.5	10	NSR								
TAN18-DD206	142.5	145.5	3	64.86								
TAN18-DD206	145.5	151	5.5	NSR								
TAN18-DD206	151	154.5	3.5	52.80								
TAN18-DD206	154.5	171	16.5	NSR								
TAN18-DD206	171	171.5	0.5	61.5								
TAN18-DD206	171.5	183.2	11.7	NSR								
TAN18-DD209	0	441	441	NSR	-55	230	555.2	741834	1337121	298	SE0475	Mka1 S
TAN18-DD209	441	443.5	2.5	38.21								
TAN18-DD209	443.5	482	38.5	NSR								
TAN18-DD209	482	482.5	0.5	55.8								
TAN18-DD209	482.5	487.5	5	NSR								
TAN18-DD209	487.5	488	0.5	57.9								
TAN18-DD209	488	495.5	7.5	NSR								
TAN18-DD209	495.5	496	0.5	37.9								
TAN18-DD209	496	555.2	59.2	NSR								
TAN18-DD214	0	13.5	13.5	NSR	-61	230	13.5	741882	1337327	301	SE0350	Mka1 S
TAN18-DD214A	0	578	578	NSR	-62	230	765.5	741881	1337330	301	SE0350	Mka1 S
TAN18-DD214A	578	578.5	0.5	520								

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TAN18-DD214A	578.5	618.5	40	NSR								
TAN18-DD214A	618.5	619	0.5	79.6								
TAN18-DD214A	619	624	5	NSR								
TAN18-DD214A	624	624.5	0.5	33.9								
TAN18-DD214A	624.5	625	0.5	NSR								
TAN18-DD214A	625	625.5	0.5	41.8								
TAN18-DD214A	625.5	639	13.5	NSR								
TAN18-DD214A	639	639.5	0.5	36								
TAN18-DD214A	639.5	765.5	126	NSR								
TAN18-DD214A-WD1	0	616	616	NSR	-62	230	702.5	741881	1337330	301	SE0350	Mka1 S
TAN18-DD214A-WD1	616	616.5	0.5	102								
TAN18-DD214A-WD1	616.5	620.5	4	NSR								
TAN18-DD214A-WD1	620.5	621	0.5	115								
TAN18-DD214A-WD1	621	624	3	NSR								
TAN18-DD214A-WD1	624	624.5	0.5	42								
TAN18-DD214A-WD1	624.5	630.5	6	NSR								
TAN18-DD214A-WD1	630.5	631	0.5	87.9								
TAN18-DD214A-WD1	631	634.5	3.5	NSR								
TAN18-DD214A-WD1	634.5	635	0.5	39.7								
TAN18-DD214A-WD1	635	702.5	67.5	NSR								
TAN18-DD214A-WD2	0	396	396	NSR	-62	230	696.5	741881	1337330	301	SE0350	Mka1 S
TAN18-DD214A-WD2	396	397	1	30								
TAN18-DD214A-WD2	397	600.5	203.5	NSR								
TAN18-DD214A-WD2	600.5	601.5	1	219.00								
TAN18-DD214A-WD2	601.5	608	6.5	NSR								
TAN18-DD214A-WD2	608	609	1	46.85								
TAN18-DD214A-WD2	609	696.5	87.5	NSR								
TAN18-DD216	0	705.5	705.5	NSR	-60	230	783.3	741930	1337278	301	SE0425	Mka1 S
TAN18-DD216	705.5	706	0.5	37.8								
TAN18-DD216	706	783.3	77.3	NSR								
TAN18-DD217	0	16.6	16.6	NSR	-60	230	16.6	741864	1337343	302	SE0325	Mka1 S
TAN18-DD217A	0	609.5	609.5	NSR	-60	230	702.3	741862	1337345	302	SE0325	Mka1 S
TAN18-DD217A	609.5	610	0.5	35.7								
TAN18-DD217A	610	702.3	92.3	NSR								
TAN18-DD217A-WD1	0	415	415	NSR	-60	230	699.5	741862	1337345	302	SE0325	Mka1 S
TAN18-DD217A-WD1	415	416	1	30.9								
TAN18-DD217A-WD1	416	699.5	283.5	NSR								
TAN18-DD218	0	218.3	218.3	NSR	-53	227	218.3	741768	1336836	296	SE0625	Mka1 S
TAN18-DD219	0	245.5	245.5	NSR	-52	223	245.5	741727	1336866	298	SE0575	Mka1 S
TAN18-GT19	0	291.4	291.4	NSR	-50	45	291.4	741379	1336811	300	SE0375	Mka1 S

**Notes for table 1 and table 2:**

- All holes are diamond holes.
- All reported intersections from the current 2018 program are assayed at 1m intervals for M5 and 0.5m for M1 where possible.
- Sample preparation and Fire Assay conducted by SGS Ouagadougou. Assayed by 50g fire assay with AAS finish. All samples >5 g/t Au are checked by 50g fire assay with gravimetric finish.
- Mineralised intervals for DD reported >2g/t Au with a maximum of 5 m of internal dilution of less than 2/t gold. No top cut applied.
- "NSR" represents 'no significant result'
- QA/QC protocol: one blank, one standard and one duplicate are inserted for every 17 samples (3 QA/QC within every 20 samples).

## **CORPORATE OVERVIEW**

### **Updated mining permit awarded for Sanbrado Gold Project**

During the quarter the Council of Ministers of the Government of Burkina Faso approved changes to the original mining permit for the Sanbrado Gold Project (Sanbrado) which encompass the revised mining and ore processing methods detailed in the latest feasibility study announced on 22 June 2018. The updated mining permit, dated 18 July 2018, includes changes to underground mining in addition to open pit mining, and approves using the carbon in leach (CIL) processing method. Receipt of the updated mining permit completes another key milestone for the Company and follows the government of Burkina Faso's environmental approval for Sanbrado in April 2018.

### **Debt finance progress**

The Company requested debt funding proposals from a selection of international resource financiers for the construction of the Sanbrado gold project. West African received strong interest from 14 debt financiers, with competitive non-binding offers ranging from US\$160m to US\$215m. The Company subsequently shortlisted a banking syndicate and one debt fund who conducted site visits on the project in Burkina Faso during the quarter. The Company is on track to appoint a debt financier or banking syndicate following credit approval from both groups before the end of the 2018 calendar year.

### **Chief Development Officer appointed**

Matthew Wilcox joined the West African executive team during the quarter as Chief Development Officer to directly manage the construction of Sanbrado. Mr Wilcox is highly experienced in the gold mining construction industry in West Africa, having spent the past eight years working for Nord Gold SE, which operates nine gold mines globally, including three mines in Burkina Faso and one mine in Guinea. He was also was Project Director for the construction of Nord Gold's 4Mtpa Bissa Gold Project and 8Mtpa Bouly Gold Project, both located in Burkina Faso. Most recently, Mr Wilcox was Project Director for the construction of the 12Mtpa Gross Gold Project in Siberia, Russia. He previously worked with engineering firms Lycopodium and Minproc based in Perth.

### **Technical Report for Updated Feasibility Study (NI 43-101)**

In August 2018, West African filed a National Instrument 43-101 (NI 43-101) Technical Report (Technical Report) titled "Open Pit and Underground Feasibility Study, Sanbrado Gold Project, Burkina Faso" with an effective date of 25 April 2018. The feasibility study was announced on 22 June 2018. The independently authored Technical Report was prepared in accordance with the requirements of NI 43- 101 and complies with the 2012 JORC Code.

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**Options**

During the quarter, the Company issued 500,000 options with an exercise price of \$0.31 expiring 26 September 2021, and vesting on first production of gold from the Sanbrado Gold Project. The Company also advised that 250,000 options with an exercise price of \$0.10 expired during the quarter.

**Cash and debt**

As at 30 September 2018, West African had \$35.4 million cash at bank and no debt.

**Company Events & Presentations**

During the quarter, West African attended and presented at the Diggers and Dealers conference in Kalgoorlie, WA and the Precious Metals Summit and Denver Gold Forum in Colorado, USA.

**REVIEW OF FINANCIAL RESULTS**

The following table summarises the consolidated financial results for the quarter and comparative quarter.

	<b>Three Months Ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	203	38
Foreign exchange gain	161	183
Administration expenses	(497)	(371)
Employee expenses	(339)	(89)
Exploration and evaluation expenses	(772)	(4,531)
Impairment of other receivables	(346)	-
Loss before income taxes	(1,590)	(4,770)
Income tax benefit	-	-
Net loss after tax	(1,590)	(4,770)
Foreign currency translation differences for foreign operations	25	(2)
Total comprehensive loss attributable to the Company's shareholders	(1,565)	(4,772)

**Revenue**

During the quarter, revenue totalled \$203,000 (\$38,000 in comparative quarter). In both periods the Group's revenue mainly related to interest earned on cash balances. The increase in revenue reflects interest received on the higher average cash balance over the quarter versus the comparative quarter. During the quarter the cash balance ranged from \$42,565,000 at the beginning of the period to \$35,369,000 at the end of the period. In the comparative quarter the cash balance ranged from \$10,550,000 at the beginning of the period to \$27,376,000 at the end of the period.



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**Administration expenses**

During the quarter, administration expenses were \$497,000 (\$371,000 in comparative quarter). The increase is on par with the ramp up of the Company's administrative operations in preparation for Sanbrado gold project development and construction.

**Employee expenses**

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

During the quarter, personnel costs before allocation to exploration expenses and mines under construction were \$856,000 (\$431,000 in comparative quarter). The increase was due to the hiring of executive and non-executive employees during the quarter in preparation for construction of the Sanbrado gold project.

**Exploration and evaluation ("E&E") expenses**

	Three Months Ended 30 September	
	2018 \$'000	2017 \$'000
Exploration and evaluation expenditure	4,399	4,531
Less: amounts classified to mines under construction	(3,627)	-
Exploration and evaluation expense	772	4,531

Overall E&E expenditure in the quarter was approximately in line with the comparative quarter. E&E costs of \$772,000 were expensed in the quarter (\$4,531,000 in comparative quarter). The lower E&E expense is due to the change in accounting classification of these costs following the issuance of the updated exploitation permit for the Sanbrado gold project on 18 July 2018. \$3,627,000 of E&E costs incurred on the Sanbrado mining licence have been capitalised to 'Mines under construction' after the decision was made to proceed with development of the Sanbrado gold project following receipt of the updated mining licence. As such, the \$772,000 of E&E expenses in the quarter represents \$343,000 of E&E costs on the Group's exploration tenements combined with \$429,000 of E&E costs on the Sanbrado mining licence during the first 17 days of the quarter.

**Impairment of other receivables**

Impairment of other receivables was \$346,000 (nil in comparative quarter). The higher amount reflects provisions to value added tax receivable in the quarter due to the uncertainty of collection.

### **Other comprehensive income**

During the quarter the Company reported movements in other comprehensive income of \$25,000 compared to other comprehensive loss of \$2,000 for the corresponding period in 2017. The variation between periods is essentially related to the effects of the foreign exchange rate of the Burkina Faso currency 'CFA franc' to Australian dollars at the end of the reporting period as it relates to the legal entities which have a different functional currency than the presentation currency of the Company.

### **REVIEW OF CASH FLOWS**

The following table summarises the cash flows during the quarter and the comparative quarter.

	<b>Three Months Ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating cash outflow	(3,019)	(5,130)
Investing cash outflow	(4,335)	(62)
Financing cash inflow	-	21,829
<b>Net increase / (decrease) in cash held</b>	<b>(7,354)</b>	<b>16,637</b>
<b>Cash at the beginning of the financial period</b>	<b>42,565</b>	<b>10,550</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies	158	189
<b>Cash at the end of the financial period</b>	<b>35,369</b>	<b>27,376</b>

### **Investing cash outflows**

Investing cash outflows of \$4,335,000 were incurred in the quarter (\$62,000 in comparative quarter) of which \$4,235,000 comprised development expenditure, with the \$100,000 balance comprised purchases of property plant and equipment.

Total E&E cash outflows in the quarter were \$6,704,000 (\$4,627,000 in comparative quarter). As shown in the below table, during the quarter, \$4,235,000 was classified as investing cash flows under the sub-heading development expenditure. There were nil E&E cash outflows classified as investing cash outflows in the comparative quarter because the Sanbrado project had not reached development stage.

	<b>Three Months Ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
E&E expenditure classified as operating cash outflows	(2,469)	(4,627)
E&E expenditure classified as investing cash outflows	(4,235)	-
<b>Total E&amp;E cash outflows</b>	<b>(6,704)</b>	<b>(4,627)</b>

The variation quarter over quarter of total E&E cash outflows is mainly due to payment in the current quarter of 30 June 2018 payables related to exploration drilling.

### **Operating cash outflow**

During the three-month period ended 30 September 2018, the Group incurred operating cash outflows of \$3,019,000, compared to \$5,130,000 in the comparative period. This variation quarter over quarter is primarily due to the change in cash flow classification of exploration and evaluation expenditures following the issuance of the updated exploitation permit for the Sanbrado gold project on 18 July 2018 as illustrated in the above table.

### **Financing cash inflow**

During the three-month period ended 30 September 2018, the Group received financing cash inflows of nil, compared to \$21,829,000 in the comparative period. The variation quarter over quarter is primarily due to nil shares issued in the quarter versus \$21,829,000 raised in the comparative quarter from the issue of shares.

## **REVIEW OF FINANCIAL POSITION**

Net assets as at 30 September 2018 were \$37,803,000 (\$39,292,000 as at 30 June 2018). The main reason for the decrease during the quarter was a \$7,196,000 decrease in 'Cash and cash equivalents', partially offset by \$3,654,000 higher 'Mine properties' and \$1,645,000 lower 'Trade and other payables'. The changes in these balance sheet components are further explained below. The other balance sheet components of net assets are materially similar.

### **Cash and cash equivalents**

Cash and cash equivalents decreased from \$42,565,000 as at 30 June 2018 to \$35,369,000 as at 30 September 2018. This \$7,196,000 decrease in the quarter is discussed above in the Cash Flows section of this MD&A.

### **Mine properties**

Mine properties as at 30 September 2018 were \$3,654,000 (nil as at 30 June 2018). The exploration and evaluation costs and early construction works expenditures incurred on the Sanbrado mining licence from 18 July 2018 have been included in 'Mines under construction' after the decision was made to proceed with development in respect of Sanbrado, and such development received appropriate government approvals on that date.

The \$581,000 difference between the \$3,654,000 mine properties additions and previously noted the \$4,235,000 of development expenditure is comprised of foreign exchange movements plus prepayments to suppliers in relation to the development activities.

### **Trade and other payables**

Trade and other payables as at 30 September 2018 were \$2,752,000 (\$4,397,000 as at 30 June 2018). This decrease during the quarter is mainly due to accounts payable amounts related to exploration drilling contractors at 30 June 2018 that were paid in the current quarter.

## **LIQUIDITY AND CAPITAL RESOURCES**

Except for interest earned on money market deposits, the Company does not have any revenue or cash inflows from its operations. Its operational and investing activities during the quarter were financed by the Company's working capital carried forward from the preceding period.

The Company had cash of \$35,369,000 at 30 September 2018, a decrease of \$7,196,000 compared to the \$42,565,000 at 30 June 2018 mainly due to operating and investing expenditures on the Sanbrado gold project, corporate administration and maintenance of exploration tenements. This compares with \$8,400,000 of total estimated cash outflows for the September 2018 quarter published in the Company's June 2018 Appendix 5B Quarterly Cash Flow report.

The Company forecasts to expend approximately \$7.7 million in the December 2018 quarter. The expenditures will be for further exploration and early construction works on the Sanbrado gold project, corporate administration and maintenance of exploration tenements. Management is confident that the current working capital and existing cash will be sufficient to fund forecasted activities for the quarter and sustain the Company's exploration and evaluation, project development, and general and administrative activities into early calendar year 2019.

There were no significant capital purchase commitments at 30 September 2018 (30 June 2018: nil). Since 30 September 2018 and as at the date of this MD&A, the Company has entered into approximately \$12 million of contractual commitments related to long lead time milling equipment, camp construction and box cut development for the Sanbrado project.

Management is currently working on securing a financing package for construction of the Sanbrado gold project. Additional financing will be required to construct and to develop the Sanbrado project. Although the Company has been successful in raising funds to date, there can be no assurances that adequate financing will be available in the future or available under terms that are acceptable to the Company. In particular, the price of gold remains volatile and uncertain, which could pose challenges in raising the required amount of construction financing.

### **Perth office lease commitments**

In addition to the above-mentioned capital purchase commitments, the Group had the following operating lease commitments as at end of the quarter and the comparative quarter, which relate to the lease of the office in Perth. The Perth office lease was entered into on 1 October 2018

	<b>30 September 2018</b> <b>(unaudited)</b> <b>\$'000</b>	<b>30 June 2018</b> <b>(audited)</b> <b>\$'000</b>
Due within 1 year	<b>178</b>	-
Due after 1 year but not more than 5 years	<b>105</b>	-
	<b>283</b>	-

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**Exploration tenement commitments**

The Group also has the following estimated financial obligations as at end of the quarter and the comparative quarter for payment of surface area fees and minimum exploration work on exploration licences held. These obligations reduce over time based on the expiry date of the exploration licences.

	<b>30 September 2018</b> <b>(unaudited)</b> <b>\$'000</b>	<b>30 June 2018</b> <b>(audited)</b> <b>\$'000</b>
Due within 1 year	<b>681</b>	684
Due after 1 year but not more than 5 years	<b>658</b>	833
	<b>1,339</b>	1,517

**Off-balance sheet arrangements**

There are no off-balance sheet arrangements as at 30 September 2018.

**SUMMARY OF SELECTED QUARTERLY FINANCIAL INFORMATION**

	<b>3-months ended 30-Sep-18 \$'000</b>	<b>3-months ended 30-Jun-18 \$'000</b>	<b>3-months ended 31-Mar-18 \$'000</b>	<b>3-months ended 31-Dec-17 \$'000</b>	<b>3-months ended 30-Sep-17 \$'000</b>	<b>3-months ended 30-Jun-17 \$'000</b>	<b>3-months ended 31-Mar-17 \$'000</b>	<b>3-months ended 31-Dec-16 \$'000</b>	<b>3-months ended 30-Sep-16 \$'000</b>
Revenue	203	(75)	68	162	38	60	45	50	101
Net loss attributable to shareholders	(1,565)	(8,025)	(4,086)	(8,493)	(4,771)	(5,501)	(2,677)	(4,202)	(1,983)
Loss per share, basic and diluted (cents per share)	(0.230)	(1.259)	(0.705)	(1.468)	(0.883)	(1.123)	(0.553)	(0.871)	(0.449)

Other than the current quarter, the relative size of the net loss attributable to shareholders mainly reflected the relative amount of E&E expenditure in the quarter. During the current quarter, the E&E expenditure related to the Sanbrado gold project since the issue of the updated Sanbrado exploitation permit on 18 June 2018, has been capitalised to 'Mines under construction', thus reducing the net loss for the quarter.

**SHARE CAPITAL INFORMATION**

As of 13 November 2018, there are 690,824,727 ordinary shares on issue and 16,228,125 unlisted stock options with a weighted average exercise price of \$0.17 per share.



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**TRANSACTIONS WITH RELATED PARTIES**

**Controlled entities**

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	
		30-Sep-18 (unaudited) %	30-Jun-18 (audited) %
<b>Parent Entity:</b>			
West African Resources Ltd	Australia		
<b>Subsidiaries of West African Resources Ltd:</b>			
Wura Resources Pty Ltd SARL	Burkina Faso	100	100
West African Resources Development SARL	Burkina Faso	100	100
Channel Resources Ltd	Canada	100	100
<i>which owns</i>			
Channel Resources (Cayman I) Ltd	Cayman Islands	100	100
<i>which owns</i>			
Channel Resources (Cayman II) Ltd	Cayman Islands	100	100
<i>which owns</i>			
Tanlouka SARL	Burkina Faso	100	100
Societe des Mines de Sanbrado SA <sup>1</sup>	Burkina Faso	90	90

<sup>1</sup>The remaining 10% of Société des Mines de Sanbrado SA is held by the Burkina Faso Government which is entitled to a free carried 10% interest in the project on commencement of mining.

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.

**Compensation of Key Management Personnel**

The key management personnel of the Company include the following person:

**Directors**

Mark Connelly	Chairman (non-executive)
Richard Hyde	Managing Director
Simon Storm	Director (non-executive)
Ian Kerr	Director (non-executive)

**Others**

Lyndon Hopkins	Chief Operating Officer
Padraig O'Donoghue	Chief Financial Officer
Matthew Wilcox	Chief Development Officer

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The following table provides the compensation to key management personnel in the quarter and the comparative quarter.

	<b>Three Months Ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
The Non-Executive Chairman, Mr Connelly, is paid directors fees of \$16,250 / quarter.	<b>16</b>	-
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. \$5,417 / month of this amount relates to Company Secretarial remuneration for Mr Storm's services.	<b>17</b>	30
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 \$75,000 / quarter.	<b>75</b>	75
The Non-Executive Director, Mr Kerr, is paid directors fees of \$13,699 / quarter. He was appointed on 28 June 2018.	<b>16</b>	-
The Chief Executive Officer, Mr Hopkins is paid an annual salary of \$250,000 which is inclusive of statutory superannuation.	<b>42</b>	42
The Chief Financial Officer, Mr O'Donoghue is paid an annual salary of \$230,000 which is inclusive of statutory superannuation. He was appointed on 4 June 2018.	<b>38</b>	-
	<b>162</b>	105

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**Other transactions and balances with Key Management Personnel**

During the quarter, the Group did not enter into any transactions with related parties other than the above compensation of key management personnel and the following transactions and balances with key management personnel.

	Three Months Ended 30 September	
	2018 \$'000	2017 \$'000
<b>Directors</b>		
<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.	33	-
<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	-
<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.	6	2
<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.	-	190
<i>Balance :</i> Amount payable to Ausdrill Ltd at balance date \$Nil (30 June 2018: \$2,374,764).		
	<b>42</b>	<b>193</b>

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Interim Financial Statements required Management to make estimates and assumptions about the future that affect the amounts recorded in the Interim Financial Statements. These estimates and assumptions are based on the Company's experience and Management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates and assumptions. The effect of a change in accounting estimate is recognized prospectively in the year of change and future years if the change impacts both years.

### **Critical judgments in applying accounting policies**

#### **Determination of functional currency**

Management has made determinations with respect to its functional currency in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates," and as such has determined that the functional currency of the each entity of the Group is as follows.

- West African Resources Limited (parent entity): the Australian dollar,
- Wura Resources Pty Ltd SARL: the Communauté Financière Africaine francs ("FCFA")
- West African Resources Development SARL: FCFA
- Channel Resources Ltd: the Canadian dollar
- Channel Resources (Cayman I) Ltd: the United States dollar ("USD")
- Channel Resources (Cayman II) Ltd: USD
- Tanlouka SARL: FCFA
- Societe des Mines de Sanbrado SA: FCFA

#### **Exploration and evaluation ("E&E") expenditure**

Under the Company's accounting policies, E&E costs are expensed as incurred until a decision has been made to proceed with development in respect of a particular area of interest, following which all future E&E costs are recorded as a development asset. Management has determined that following the issuance of the updated exploitation permit for the Sanbrado gold project on 18 July 2018, E&E costs related to the Sanbrado mining licence are recorded as a development asset and are added to 'Mines under construction', which is a sub-category of 'Mine properties'.

### **Sources of estimation and uncertainty**

#### **Share-based compensation related to stock options**

Management assesses the fair value of stock options and warrants, as disclosed the Interim Financial Statements, using the Black-Scholes option pricing model. This model requires Management to make estimates and assumptions with respect to inputs including the risk-free interest rate, volatility and expected life of the equity-settled instruments. As well, Management must make assumptions about anticipated forfeitures based on the historical actions of plan participants which may not be a true representation of future participant exercise behaviour.

### **Useful lives of property, plant and equipment**

Management reviews its estimate of the useful life of property, plant and equipment on an annual basis and accounts for any changes in estimates prospectively.

### **NEW ACCOUNTING STANDARDS ISSUED AND ADOPTED BY THE COMPANY**

During the quarter the Company adopted a new accounting policy in relation to mines under construction. The Company previously did not have an accounting policy related to mines under construction because of the relatively early stage of development of its exploration projects. With the advancement of the Company's Sanbrado gold project such a policy became necessary.

The new accounting policy for 'Mines under construction' is as follows:

*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'.*

### **RISKS AND UNCERTAINTIES**

The Company faces a range of risks and uncertainties. The below list is not all-inclusive as it pertains to significant conditions known to management. There can be no guarantee or assurance that other factors will adversely affect the Company. Refer also to the cautionary note regarding forward looking statements at the front section of this MD&A for further information of the risks facing the Company

The business of exploring for minerals and developing mines is both cyclical and with significant risks as listed below. Even though Management has to date been successful in its exploration activities, there is no assurance that the Company's projects will become economically viable or sustainable. The Company has previously never developed a mine nor managed an operating mine. After a potential economic deposit is identified, the Company's ability to develop a profitable mining operation is subject to a host of variables including technical considerations, regulatory and political issues and economic factors (including the need to source the capital required to develop the project). Many of these are beyond the control of the Company. The significant risks and uncertainties faced by the Company include:

- West African's ability to successfully establish mining operations and profitably produce gold;
- Potential for the Company to become subject to additional tax liabilities;
- Permitting and license risks;
- Variability in the price of gold;



- The Company's operations in Burkina Faso may face changes in regulations or shifts in the political attitudes, which are beyond WAF's control, and which may adversely affect the Company's business operations. Such changes could also adversely affect the Company's perception within the financial and share markets and therefore could have an adverse impact on the Company's ability to raise funds and/or its share price.
- The speculative nature of resource exploration and development projects;
- Potential changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation;
- Potential changes to the mining code of Burkina Faso, tax laws, and related government guarantees or stabilization agreements thereof and the ability of the Company to dispute any changes that may negatively impact the value of the project and shareholder returns;
- The accuracy of West African's mineral resource and reserve estimates;
- The fact that West African has a history of losses and expects to incur losses until the Sanbrado gold mine is in commercial production;
- West African's reliance on its Management team;
- The availability of local labour, local and outside contractors and equipment when required to carry out exploration and development activities;
- The Company's ability to finance the development of its mineral projects;
- The Government of Burkina Faso's interests in the subsidiary of West African holding the mining permit;
- Health risks associated with the mining workforce in Burkina Faso;
- Environmental risks;
- Operational risks and hazards inherent in the mining industry in Burkina Faso including the security and protection of its employees against unforeseen events and terrorism;
- The potential inability to maintain the infrastructure necessary to carry out mining, processing, development and exploration activities;
- The Company's property interests are held in areas in Burkina Faso that have historically been mined by artisanal miners;
- Public scrutiny and monitoring faced by mining companies of their activities to demonstrate that operations will benefit local governments and communities surrounding projects;
- Impact of evolving anti-corruption laws;
- Title risk, including renewals and application delays.
- The potential unavailability of insurance to cover certain risks;

In addition to the above factors, the following financial risks could adversely affect the Group's financial assets, liabilities or future cash flows:

- Foreign currency risk;
- Market price risk;
- Liquidity risk;
- Credit risk; and

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's Managing Director ("MD") and Chief Financial Officer ("CFO") are responsible for the design and effectiveness of internal controls over financial reporting ("ICFR") as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. The Company's CEO and CFO are also responsible for the design and effectiveness of disclosure controls and procedures ("DC&P", as such term is defined in NI 52-109) to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. During the three months ended September 30, 2018, there were no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **NI 43-101 AND QUALIFIED / COMPETENT PERSON STATEMENTS**

Information in this MD&A that relates to exploration results, exploration targets, mineral resources, mineral reserves or other scientific and technical information related to the Sanbrado Project is based on, and fairly represents, information and supporting documentation prepared by Mr Brian Wolfe, an independent consultant specialising in mineral resource estimation, evaluation and exploration. Mr Wolfe is a Member of the Australian Institute of Geoscientists. Mr Wolfe has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person (or "CP") as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) and a Qualified Person under Canadian National Instrument 43-101. Mr Wolfe has reviewed and approved the contents of this MD&A related to the foregoing and consents to the inclusion in this MD&A of all scientific and technical statements based on his information in the form and context in which they appear.

Information in this MD&A that relates to open pit ore reserves is based on, and fairly represents, information and supporting documentation prepared by Mr Stuart Cruickshanks, an independent specialist mining consultant. Mr Cruickshanks is a Fellow of the Australian Institute of Mining and Metallurgy. Mr Cruickshanks has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a CP as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) and a Qualified Person under Canadian National Instrument 43-101. Mr Cruickshanks has reviewed and approved the contents of this MD&A related to the foregoing and consents to the inclusion in this MD&A of all technical statements based on his information in the form and context in which they appear.

Information in this MD&A that relates to underground ore reserves is based on, and fairly represents, information and supporting documentation prepared by Mr Peter Wade, an independent specialist mining consultant. Mr Wade is a Fellow of the Australian Institute of Mining and Metallurgy. Mr Wade has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a CP as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) and a Qualified Person under Canadian National Instrument 43-101. Mr Wade has reviewed and approved the contents of this MD&A related to the foregoing and consents to the inclusion in this MD&A of all technical statements based on his information in the form and context in which they appear.

## **PRODUCTION TARGETS**

This MD&A contains information related to production targets. The information and production target presented in this MD&A are based on a feasibility study for the Sanbrado Gold Project, Burkina Faso. The Company has concluded that it has a reasonable basis for providing the forward-looking statements (including the production targets) included in this MD&A. The detailed reasons for that conclusion are outlined throughout this MD&A and all material assumptions, including the JORC modifying factors, upon which the forecast financial information is based were disclosed in the ASX/TSXV announcement on 22<sup>nd</sup> June 2018. In relation to production targets, this MD&A has been prepared in accordance with the JORC Code (2012) and the ASX Listing Rules. 100% of the production target referred to in this MD&A is based on Probable Reserves category. The stated production target is based on the Company's current expectations of future results or events and should not be relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish further confidence that this target will be met. The Company believes it has a reasonable basis to expect to be able to fund and develop the Sanbrado Gold Project for the reasons set out above. However, there is no certainty that the Company can raise funding when required.