WEST AFRICAN
RESOURCES LIMITED

Financial Report

for the half-year ended 30 June 2020

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CORPORATE INFORMATION

Company
West African Resources Limited

ABN
70 121 539 375

Directors
Richard Hyde (Executive Chairman and CEO)
Lyndon Hopkins (Executive Director and COO)
Nigel Spicer (Non-Executive Director)
Rod Leonard (Non-Executive Director
Stewart Findlay (Non-Executive Director)
Libby Mounsey (Non-Executive Director)

Company Secretary
Padraig O'Donoghue

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Subiaco WA 6008 Australia

Registered office
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Burkina Faso office
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T: +226 25 36 73 84

Website
www.westafricanresources.com

Share registry
Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terraces
Perth WA 6000 Australia
T: +61 (8) 9323 2000

Auditors
HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000 Australia

Security exchange
Australian Securities Exchange Ltd (ASX)
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

ASX trading code
WAF

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of West African Resources Limited (the "Company") and its controlled subsidiaries (the "Group", "West African" or "WAF") for the half-year ended 30 June 2020.

BOARD OF DIRECTORS

The names of Directors of the Company who held office during the half year and until the date of this report are presented below. Directors were in office for the entire period unless otherwise stated.

Richard Hyde	Executive Chairman and Chief Executive Officer	
Lyndon Hopkins	Executive Director and Chief Operating Officer	
Mark Connelly	Non-Executive Director	Retired 29 May 2020
Stewart Findlay	Non-Executive Director	Appointed 29 May 2020
Rod Leonard	Non-Executive Director	
Libby Mounsey	Non-Executive Director	Appointed 29 May 2020
Nigel Spicer	Non-Executive Director	
Simon Storm	Non-Executive Director and Company Secretary	Retired 29 May 2020

COMPANY SECRETARY

Padraig O'Donoghue	Company Secretary and Chief Financial Officer	Appointed Company Secretary 29 May 2020

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half year were:

- development and mining of the Group's key asset, the Sanbrado Gold Project ("Sanbrado"), located in Burkina Faso; and
- mineral exploration in Burkina Faso.

West African Resources Limited owns a 90% beneficial interest in Société des Mines de Sanbrado SA ("SOMISA"), which owns 100% of Sanbrado. The government of Burkina Faso retains a 10% carried interest in SOMISA.

REVIEW OF OPERATIONS

SANBRADO CONSTRUCTION

During the six-month reporting period, construction and commissioning activities were completed in all areas of the project. First gold pour at the Sanbrado gold project was achieved on 18 March 2020 and by the end of March 2020 mill throughput was meeting name plate capacity and the 17MW power station was fully operational. Commercial production was declared in Q2 2020.

SANBRADO OPERATIONS

Open-pit Mining

Open pit mining for the six-month period was carried out on the M5 and M1 South deposits. A second open pit at M5 (M5 North) was opened up in late June (refer to Figure 1) which added operational flexibility and improved equipment utilisation of the mining fleet. Open pit mining at Sanbrado totalled 1,226kt of ore during the period at an average grade of 1.2 g/t Au for 47,000 contained ounces.

Figure 1: Sanbrado Gold Project Layout

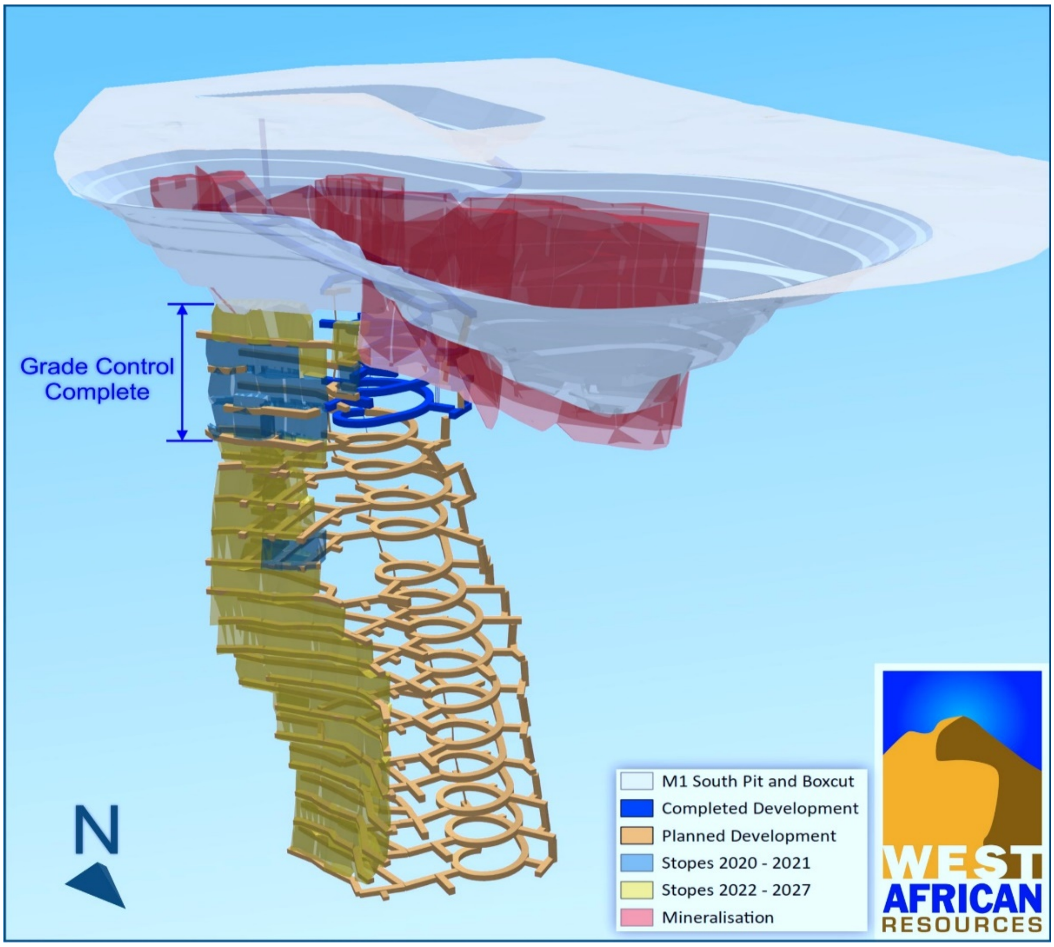
Underground Mining

Decline and infrastructure development at the M1 South underground continued to be carried out during the half year, with stoping ore scheduled to commence late in the third quarter of 2020. The development schedule was impacted with reduced availability of personnel due to COVID-19 travel-safety measures, with underground mining services contractor, Byrnecut, operating a single shift for most of the June 2020 quarter. An additional underground team completed their quarantine requirements in early June 2020 after which the underground resumed 24-hour operations, six days per week to manage fatigue. As of 30 June 2020, the length of the decline from the portal was 1,294m with total underground development of 2,592m. Permanent ventilation infrastructure to the current decline levels was completed during the half year with three primary ventilation fans commissioned on 8 June 2020 and all ventilation rises completed.

Underground mining development delivered 30kt of ore to the mill during the half year, at an average grade of 8.7 g/t Au for 8,400 contained gold ounces.

Grade control drilling targeted the 2145 and 2070 levels of the M1 South underground (Figure 2). The drilling defined the hanging wall and footwall contact zones for design of the stoping panels scheduled for mining in years 2020 and 2021 and identified additional mineralised zones in the hanging wall to be incorporated into the mining plan.

Figure 2: M1 South Underground – Development and Stoping Areas



Processing

The process plant has been fully operational since 8 March 2020. Total ore processed during the six-month period was 937kt at a mill head grade of 1.5 g/t Au, with a gold recovery of 92% for 40,458 ounces of gold produced. Gold recovery during the period was in line with expectations for the grade of material treated. Throughput rates were above name plate design, with high availability at 94%.

GROWTH

Acquisition Toega Gold Deposit

On 29 April 2020, WAF announced it had signed a definitive agreement to acquire 100% of the 1.1 Moz Au Toega gold deposit from B2Gold Corp ("B2Gold") and their partner GAMS-Mining F&I Ltd ("GAMS"). Toega is located 14km southwest of the Sanbrado and is situated within the Nakomgo Exploration Permit.

The agreement provides for WAF's purchase of 100% of the Nakomgo Exploration Permit for a consideration of US$45 million, comprised of the following staged payments:

1. US$10 million initial cash deposit, which was paid in the current half-year reporting period.
2. US$10 million in cash or shares to be paid following completion of a feasibility study prior to the second anniversary of signing the agreement, triggering ownership transfer of the Nakomgo Exploration Permit to WAF or its subsidiary.
3. US$25 million in production payments from a 3% net smelter returns ("NSR") royalty on production from the Nakomgo exploration permit.

B2Gold and GAMS also retain a 0.5% NSR royalty, with payments to commence after completion of the US$25 million of production payments noted above. The 0.5% NSR royalty is capped at total of 1.5 million ounces of gold produced from the Nakomgo exploration permit area. The Burkina Faso government is entitled to a 10% free carried interest in the Toega deposit on grant of a mining licence.

In 2018, B2Gold announced an initial non-JORC Inferred Mineral Resource on the Toega deposit of 17,530,000 tonnes at 2.01 g/t Au, containing 1,130,000 gold ounces. The Toega mineralized zone extends 1,200m along strike, is up to 430m wide and up to 400m deep, and remains open along strike and to the north-northeast, and down dip and potentially to the west-northwest. Please refer to the Competent Person's Statement on page 8 of this report for clarifying statements on the Toega deposit foreign estimates.

WAF has commenced early activities for a comprehensive feasibility study and permitting work program aimed at adding the Toega material into the Sanbrado mill feed within three years. It is anticipated that Toega material will partially displace lower grade ore from the M5 open-pit after the higher grade in the early years of the operation, potentially increasing the Sanbrado production profile and extending the mine life past 10 years. Infill drilling at Toega is expected to start in Q4 2020, after the rainy season.

Exploration

A deep-drilling program from surface is planned to resume at Sanbrado in the second half of 2020. This deep drilling program will be designed to extend known mineralisation beneath existing M1 South underground reserves. Deep drilling has not been carried out since 2018, with the last drill hole to date being TAN18-DD228 at more than 650m below surface, returning 25m at 15.03 g/t Au including 5.5m at 40.42 g/t Au.

COVID-19

Despite the challenges of COVID-19 commercial production was achieved at Sanbrado in the second quarter of 2020, and management and contractors have subsequently maintained continuous mining and processing operations.

West African Resources has been adhering to guidelines set out by the Western Australian Department of Health since early February 2020 and has updated procedures as the COVID-19 situation evolved. Sanbrado management has been working and communicating closely with the host communities in Burkina Faso including providing updates and educational material to mitigate the potential impact of COVID-19 on the local population.

To date, there have been no confirmed cases of COVID-19 infection reported by any employees or contractors at Sanbrado nor any residents of host communities located adjacent to the project area. WAF management continues to remain vigilant with enforcement of recommended practices at Sanbrado and educational programs with our host Burkina Faso communities to minimise the risk of transmission.

The supply and delivery of consumables have not been interrupted by COVID-19. Sanbrado continues to receive regular deliveries of diesel and HFO, as well as other key consumables. The Company has been able to rotate staff in and out of Sanbrado, however expatriate staff have transitioned onto longer rosters to manage travel and quarantine restrictions.

CORPORATE

Board composition changes

West African Resources Limited undertook board composition changes as the Group transitioned from the development phase to the operations phase of Sanbrado. Two new independent non-executive directors, Libby Mounsey and Stewart Findlay, joined the West African board while Simon Storm and Mark Connelly retired as non-executive directors at the Company's 29 May 2020 annual general meeting.

In addition to retiring as a Director, Mr Storm also resigned as Company Secretary on 29 May 2020 and West African's Chief Financial Officer Padraig O'Donoghue has replaced him in that role.

REVIEW OF FINANCIAL RESULTS

Net profit before tax of $12,580,000 for the half year compares favourably to the $3,491,000 net loss before tax of the comparative six-month period reflecting that Sanbrado achieved profitable commercial production in the half year. Metal sales revenue for the half year was $58,570,000 and total revenue was $58,847,000 versus nil metal sales revenue and $768,000 total revenue in the comparative period. Cost of sales in the half year of $31,780,000, versus nil in the comparative period, is reflective of the start of commercial production at Sanbrado. Finance expenses of $7,512,000 were recorded in the half year versus nil in the comparative period, reflecting the accounting treatment to capitalise the Sanbrado project financing costs to mines under construction until the project reached commercial production. Corporate and technical services cost of $2,264,000 in the half year were higher than the $1,625,000 recorded in the comparative period mainly due to higher salaries expense.

The $133,309,000 increase in total assets during the half year was partly offset by the $128,685,000 increase in total liabilities resulting in a $4,624,000 increase in net assets over the period. The increase in total assets mainly reflects the construction and operation of Sanbrado with a $75,334,000 increase in property, plant and equipment, and inventory increases of $38,894,000, while the liabilities increase was mainly due to $37,832,000 of drawdowns under the project debt facility for the construction of Sanbrado, a $34,504,000 increase in trade and other payables related to Sanbrado's transition from construction phase to operations phase, and $27,859,000 of deferred revenue recorded on receipt of an advance payment for gold bullion sold after 30 June 2020.

Cash decreased by $418,000 over the half year to a balance of $83,166,000 at 30 June 2020. This change was due to a $51,092,000 net cash inflow from operating activities and a $35,110,000 net cash inflow from financing activities, offset by a $91,165,000 net cash outflow from investing activities. The cash inflow from operating activities reflects positive Sanbrado operating cash flow since the start of commercial production. The cash inflow from financing activities in the period was mainly due to $37,832,000 of drawdowns under the project debt facility. Cash outflows from investing activities mainly represents expenditures for the construction of Sanbrado and investment in the acquisition of Toega.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Construction of Sanbrado was completed in the half year and the gold mining project commenced commercial production in the second quarter of 2020.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

There has not arisen in the interval between the end of the reporting period 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 substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in "ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191", issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and accompanying financial statements. Amounts in the Directors' Report and accompanying financial statements have been rounded off in accordance with that Rounding Instrument to the nearest thousand dollars, or in certain noted cases, to the nearest dollar. All amounts are in Australian dollars, unless otherwise stated.

AUDITOR INDEPENDENCE

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This written Auditor's Independence Declaration is set out on page 33 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

RICHARD HYDE
Executive Chairman
Perth, 31 August 2020

Qualified/Competent Person's Statement

Information contained in this report that relates to exploration results, exploration targets or mineral resources 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 the contents of this news release and consents to the inclusion in this announcement of all technical statements based on his information in the form and context in which they appear.

Information contained in this report that relates to open pit ore reserves is based on, and fairly represents, information and supporting documentation prepared by Mr Stuart Cruickshanks, a full-time employee. 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 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 Cruickshanks has reviewed the contents of this news release and consents to the inclusion in this announcement of all technical statements based on his information in the form and context in which they appear.

Information contained in this report 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 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 Wade has reviewed the contents of this news release and consents to the inclusion in this announcement of all technical statements based on his information in the form and context in which they appear.

Any other information contained in this report that relates to exploration results, exploration targets or mineral resources is based on information compiled by Mr Richard Hyde, a Director, who is a Member of The Australian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Mr Hyde 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 JORC Code and a QP under National Instrument 43-101. Hyde has reviewed and approved the scientific and technical information and contents of this presentation, and consents to the inclusion in this presentation of the statements based on his information in the form and context in which they appear.

Toega Deposit - Foreign Estimates – clarifying statements as required by ASX Listing Rule 5.12

The estimates of Mineral Resources for Toega deposit are qualifying foreign estimates under the ASX Listing Rules reported in accordance with the National Instrument 43-101 (NI 43-101) by B2Gold and filed on SEDAR (www.sedar.com) on 22 February 2018. The categories of Mineral Resource classification used are in accordance with NI 43-101 and the CIM Standards. NI 43-101 is a 'qualifying foreign estimate' (Chapter 19, ASX Listing Rules) and has similar categories of resource classification as the JORC Code (Appendix 5A, ASX Listing Rules). West African considers these estimates to be both material and relevant to West African given that Toega has the potential to be a material mining project to West African.

In accordance with NI 43-101 and CIM Standards, Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of Mineral Resources will be converted to Mineral Reserves. Additional drilling will be required to verify geological and mineralisation continuity, and there is no certainty that all of the Inferred Resources will be converted to Measured and Indicated Resources. Quantity and grades are estimates and are rounded to reflect that the estimates are an approximation.

West African has experience in developing similar deposits to Toega. West African's key technical and operational personnel conducted a site visit as part of the due diligence process. B2 Gold provided information on Mineral Resources and Metallurgical Test Work for West African to review. West African believes that the information provided is the most recent publicly available information on Toega. Following completion of Stage One of the transaction it is West African's intention to conduct a work program, including additional exploration and resource definition drilling, resource optimisation for a potential open pit mining scenarios and feasibility studies to define the high value optimum plan for potential conversion of the Mineral Resource to Ore Reserves. This is anticipated to be completed within two years and will be funded using internal cash reserves.

Cautionary statement Toega Deposit

The estimates of Mineral Resources for the Toega deposit are qualifying foreign estimates under the ASX Listing Rules and are not reported in accordance with the JORC Code. Competent persons have not done sufficient work to classify the qualifying foreign estimates as Mineral Resources in accordance with the JORC Code. It is uncertain, that following evaluation and further exploration, the foreign estimates will be able to be reported as Mineral Resources in accordance with the JORC code. The financial metrics used to determine the reporting limits of the Mineral Resources were compiled by B2 Gold and may not be applicable to West African Resources. The B2Gold financial assumptions should not be relied upon as they were based on the assumptions made by B2Gold at the time they were reported and do not apply to WAF.

Competent Persons Statement Toega Deposit

In accordance with ASX listing rule 5.12.2 to 5.12.7, Mr Richard Hyde confirms the information in this market announcement that relates to the Mineral Resources for the Toega NI 43-101 qualifying foreign estimate is an accurate representation of the available data and studies based on data provided to West African by B2 Gold. Mr Hyde a director and employee of the Company and is a Member of The Australian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Mr Hyde 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). Mr Hyde has reviewed the contents of this news release and consents to the inclusion in this announcement of all technical statements based on his information in the form and context in which they appear.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Note	Half-year 2020 $'000	Half-year 2019 $'000
Revenue from continuing operations	3	**58,847**	768
Cost of sales	4(a)	**(31,780)**	-
Exploration and evaluation expenses		**(1,059)**	(1,060)
Corporate and technical services		**(2,264)**	(1,625)
Share-based payments		**(1,240)**	(505)
Other expenses	4(a)	**(386)**	(142)
Finance expenses		**(7,512)**	(3)
Forex realised loss		**(748)**	(308)
Forex unrealised loss		**(1,278)**	(616)
Profit (Loss) before tax		**12,580**	(3,491)
Income tax expense	5	**(8,827)**	-
Profit (Loss) after tax		**3,753**	(3,491)
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(1,587)**	1,880
Other comprehensive profit (loss), net of income tax		**(1,587)**	1,880
Total comprehensive profit (loss) for the period		**2,166**	(1,611)
Profit (loss) attributable to:			
Owners of the parent		**2,866**	(3,159)
Non-controlling interest	18	**887**	(332)
		3,753	(3,491)
Total comprehensive profit (loss) attributable to:			
Owners of the parent		**1,279**	(1,279)
Non-controlling interest	18	**887**	(332)
		2,166	(1,611)
Basic and diluted profit (loss) per share (cents per share)	6	**0.4**	(0.4)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30 June 2020 $'000	31 December 2019 $'000
CURRENT ASSETS			
Cash and cash equivalents		**83,166**	83,584
Trade and other receivables		**3,749**	1,501
Inventories	7	**38,894**	-
Financial assets		**39**	38
Total current assets		**125,848**	85,123
NON-CURRENT ASSETS			
Property, plant and equipment	8	**318,035**	242,701
Right-of-use assets		**10,133**	8,135
Exploration and evaluation assets	9	**15,252**	-
Total non-current assets		**343,420**	250,836
TOTAL ASSETS		**469,268**	335,959
CURRENT LIABILITIES			
Trade and other payables	10	**48,392**	13,890
Deferred revenue		**27,859**	-
Loans and borrowings	11	**59,941**	22
Lease liabilities		**2,622**	1,866
Total current liabilities		**138,814**	15,778
NON-CURRENT LIABILITIES			
Loans and borrowings	11	**227,318**	235,063
Lease liabilities		**7,903**	6,609
Provisions	12	**7,551**	4,278
Deferred tax liabilities	13	**8,827**	-
Total non-current liabilities		**251,599**	245,950
TOTAL LIABILITIES		**390,413**	261,728
NET ASSETS		**78,855**	74,231
EQUITY			
Issued capital	14	**164,112**	162,919
Reserves	15	**6,739**	7,373
Accumulated losses		**(90,677)**	(93,940)
Equity attributable to owners of the parent		**80,174**	76,352
Non-controlling interest		**(1,319)**	(2,121)
TOTAL EQUITY		**78,855**	74,231

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Issued capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Non-controlling interest $'000	Total $'000
Balance at 1 January 2019	161,947	(89,640)	670	6,874	(2,088)	77,763
Loss after tax	-	(3,159)	-	-	(332)	(3,491)
Other comprehensive income for the period	-	-	1,880	-	-	1,880
Total comprehensive profit (loss) for the period	-	(3,159)	1,880	-	(332)	(1,611)
Shares issued during the year net of transaction costs	627	-	-	-	-	627
Transfer to non-controlling interest	-	(4)	-	-	4	-
Share-based payments	-	-	-	534	-	534
Balance at 30 June 2019	162,574	(92,803)	2,550	7,408	(2,416)	77,313
Balance at 1 January 2020	**162,919**	**(93,940)**	**(543)**	**7,916**	**(2,121)**	**74,231**
Profit after tax	-	2,866	-	-	887	**3,753**
Other comprehensive profit (loss) for the period	-	-	(1,587)	-	-	**(1,587)**
Total comprehensive profit (loss) for the period	-	2,866	(1,587)	-	887	**2,166**
Shares issued during the period net of transaction costs	1,193	-	-	-	-	**1,193**
Transfer to non-controlling interest	-	85	-	-	(85)	**-**
Share-based payments	-	-	-	1,265	-	**1,265**
Reclassification of expired options	-	312	-	(312)	-	**-**
Balance at 30 June 2020	**164,112**	**(90,677)**	**(2,130)**	**8,869**	**(1,319)**	**78,855**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	30 June 2020 $'000	30 June 2019 $'000
OPERATING ACTIVITIES		
Receipts from customers	**86,429**	-
Payments to suppliers	**(28,258)**	(1,386)
Payments to employees	**(2,378)**	(1,734)
Exploration and evaluation expenditure	**(1,049)**	(924)
Interest received	**233**	729
Interest paid	**(3,952)**	(3)
Finance costs	**-**	-
Other income	**67**	-
Net cash inflow (outflow) from operating activities	**51,092**	(3,317)
INVESTING ACTIVITIES		
Payments for property, plant and equipment	**(67,056)**	(76,419)
Capitalised exploration and evaluation expenditure	**(16,371)**	-
Capitalised interest paid during construction	**(7,738)**	(2,246)
Net cash outflow from investing activities	**(91,165)**	(78,665)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**-**	219
Proceeds from exercise of share options	**1,197**	423
Proceeds from borrowings	**37,832**	105,770
Payments for share issue costs	**(4)**	(14)
Payments for lease liabilities	**(1,193)**	(386)
Financing costs	**(2,233)**	-
Transaction costs related to loans and borrowings	**(489)**	(10,763)
Net cash inflow from financing activities	**35,110**	95,249
Net increase (decrease) in cash held	**(4,963)**	13,267
Cash at the beginning of the financial period	**83,584**	66,355
Effect of exchange rate changes on the balance of cash held in foreign currencies	**4,545**	(317)
Cash at the end of the financial period	**83,166**	79,305

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

1) BASIS OF PREPARATION

A. BASIS OF ACCOUNTING

This general purpose financial report for the interim half-year reporting period ended 30 June 2020 is presented in Australian dollars and has been prepared in accordance with Accounting Standard 134 Interim Financial Reporting and the Corporation Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by West African Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

B. ROUNDING OF AMOUNTS

The Company is of a kind referred to in Rounding Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Rounding Instrument to the nearest thousand dollars ($000's), unless otherwise stated.

C. PRINCIPLES OF CONSOLIDATION

The consolidated interim financial statements comprise the financial statements of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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. CHANGE IN PRESENTATION OF COMPARATIVES

New expense classification components have been introduced into the Consolidated Statement of Profit and Loss and Other Comprehensive Income to improve understanding of the profit and loss results of the Sanbrado mining operation that commenced commercial production in the reporting period. Accordingly, certain expenses in the comparative period have been reclassified from the presentation component used in the 30 June 2019 half-year financial statements as follows:

	Prior to change in presentation 30 June 2019 $'000	**New classification component**
Personnel costs	**1,014**	Corporate and technical services
Consultants	**708**	Corporate and technical services
Contractors	**3**	Corporate and technical services
Occupancy costs	**39**	Corporate and technical services
Legal costs	**13**	Corporate and technical services
Travel and accommodation	**118**	Corporate and technical services
Listed entity costs	**66**	Corporate and technical services
Overheads	**170**	Corporate and technical services
Interest expense - lease	**3**	Finance expenses
Depreciation expense	**142**	Other expenses

1) BASIS OF PREPARATION (CONTINUED)

E. ADOPTION OF NEW AND REVISED STANDARDS

The Directors have reviewed all of the new and revised Standards and Interpretations on issue not yet adopted by the Group for the period ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations on issue not yet adopted on by the Group and, therefore, no change is necessary to Company's accounting policies.

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 following key judgements, estimates and assumptions were made by management in applying the Group's accounting policies:

Date of commencement of commercial production

Setting the pre-determined levels of operating capacity intended by management for deciding when development of the Sanbrado gold project was completed and production started. This date is known as the 'date of commencement of commercial production' and is used for establishing when project costs of an operating nature are no longer capitalised to mines under construction and when depreciation and amortisation of the associated assets commences.

Accounting for leases

- Assessment of contracts to determine whether they contain a lease and if so, whether they also contain non-lease components.
- Estimated useful lives and depreciation rates of right-of-use assets.
- Discount rate of the lease contracts, which is used in the calculation of lease liabilities.

Exploration and evaluation costs

On a case-by-case basis, assessment of whether the acquisition costs of particular mineral properties will be expensed or whether it is appropriate to capitalised them as exploration and evaluation assets.

Valuation of rehabilitation provision

- Best estimate of future cash flows to settle mine restoration obligations.
- Discount rate used in the calculation of the rehabilitation provision.

Property, plant and equipment

- The useful lives and depreciation rates for plant and equipment.
- Assessment of assets for impairment of their carrying value.

Group consolidation

The functional currency used for each entity in the Group.

Income tax

- Interpretation of tax legislation in a number of countries.
- Estimates of future tax outcomes.

1) BASIS OF PREPARATION (CONTINUED)

G. REVENUE

The Group primarily generates revenue from the sale of gold and silver bullion. This sales revenue is recognised when ownership of the metal is transferred to the buyer. This typically occurs when physical bullion, from a contracted sale, is transferred from the Group's metal account to the metal account of the buyer.

Where the Group receives provisional payments from buyers in advance of transfer of ownership, the Group classifies the provisional payment as a deferred revenue liability until ownership is transferred and the associated revenue is recognised.

H. INCOME TAXES

The income tax expense or benefit for the period is based on the profit or loss for the period 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 provided on all 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.

I. INVENTORIES

Ore stockpiles, gold in circuit and finished goods (being gold doré and gold bullion) inventories are valued at the lower of weighted average cost and net realisable value. Costs include direct production costs and an appropriate allocation of attributable overheads. Depreciation and amortisation attributable to production of the inventory are also included in the cost of inventory.

Inventories of consumable supplies and spare parts are valued at the lower of weighted average cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion, and the estimated costs necessary to make the sale.

J. PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment ("PP&E") is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses. The cost of an item of PP&E consists of the purchase price, applicable borrowing costs, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The carrying amount of the PP&E is reviewed at each balance sheet date to assess whether there is any indication that the assets may be impaired. If any such indication exists, then the recoverable amount of the assets is estimated. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

Gains and losses on disposal of PP&E are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

1) BASIS OF PREPARATION (CONTINUED)

J. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Mines under construction

Expenditure on the construction, installation, and completion of infrastructure facilities for mining properties is capitalised to mines under construction. The expenditure includes direct costs of construction, drilling costs and removal of overburden to gain access to the ore, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads. The capitalised amount is net of proceeds from the sale of ore extracted during the construction 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 reaching pre-determined levels of operating capacity intended by management, known as 'commencement of commercial production', the assets included in mines under construction are transferred out of mines under construction to their appropriate PP&E category and depreciation and amortisation commence.

Mine development assets

Mine development represents expenditure incurred in relation to overburden removal based on underlying mining activities and related mining data and construction costs and underground development incurred by, or on behalf of, the Group previously accumulated and carried forward in relation to mineral properties in which mining has now commenced. Such expenditure comprises direct costs and an allocation of directly related overhead expenditure.

All expenditure incurred prior to the commencement of production from each development property is carried forward to the extent to which recoupment out of future revenue from the sale of production, or from the sale of the property, is reasonably assured. When further development expenditure is incurred in respect of a mine property after the commencement of commercial production, such expenditure is carried forward as part of the cost of the mine property only when future economic benefits are reasonably assured, otherwise the expenditure is classified as part of the cost of production and expensed as incurred. Such capitalised development expenditure is added to the total carrying value of the mine development being amortised.

Mine development costs (as transferred from exploration and evaluation and/or mines under construction) are amortised on a units-of-production basis over the life of mine to which they relate. In applying the units of production method, amortisation is calculated using the expected total contained ounces as determined by the life of mine plan specific to that mine property. For development expenditure undertaken during production, the amortisation rate is based on the ratio of total development expenditure (incurred and anticipated) over the expected total contained ounces as estimated by the relevant life of mine plan to achieve a consistent amortisation rate per ounce. The rate per ounce is typically updated annually as the life of mine plans are revised.

Depreciation

Depreciation of non-mine specific PP&E is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives determined as follows:

Land and buildings	3 to 10 years
Office equipment	3 to 10 years
Plant and equipment	3 to 10 years
Light vehicles	3 years

The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

1) BASIS OF PREPARATION (CONTINUED)

K. EXPLORATION AND EVALUATION

Mineral exploration and evaluation ("E&E") costs are expensed as incurred. Acquisition costs related to mineral properties 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 as an E&E asset to the extent that they are expected to be recouped through the successful development or sale of the mineral property. Accumulated acquisition costs in relation to abandoned mineral properties are written off in full against profit or loss in the year in which the decision to abandon is made.

Where a decision has been made to proceed with development in respect of a particular area of interest, the associated E&E assets are transferred to PP&E and all future E&E costs for the area of interest are classified as PP&E within either mines under construction or mine development assets, as appropriate.

2) SEGMENT REPORTING

A. DESCRIPTION OF SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board and the executive management team in assessing performance and in determining the allocation of resources.

As there were no operating mines in previous reporting periods the Group considered its business operations to be one reporting segment in mineral exploration and development. During the current reporting period, the Group changed the internal reporting basis of its operations to match changes in the operational structure of the business, with the resultant operating segments being as follows:

(a) **Mining Operations:** in the current period comprise the Sanbrado Gold Project operations located in Burkina Faso.
(b) **Exploration:** in the current period comprises exploration and evaluation activities in Burkina Faso other than at Sanbrado.

B. SEGMENT INFORMATION

Half-year 2020	**Mining operations $'000**	**Exploration $'000**	**Other $'000**	**Total $'000**
Total segment revenue	58,570	15	261	58,846
Total segment expenses	31,780	1,059	2,264	35,103
Total segment results	26,790	(1,043)	(2,003)	23,744
Segment assets at 30 June 2020	416,023	18,087	35,158	469,268
Segment liabilities at 30 June 2020	105,895	137	284,382	390,414

Segment result is reconciled to the profit before income tax as follows:

	Half-year 2020 $'000
Segment result	**23,744**
Share-based payments	(1,240)
Finance expenses	(7,512)
Other expenses	(386)
Net foreign exchange losses	(2,026)
Profit before income tax	**12,580**

3) REVENUE

	Half-year 2020 $'000	Half-year 2019 $'000
Metal sales	**58,570**	-
Interest received	**210**	768
Other income	**67**	-
	58,847	768

4) EXPENSES

	Half-year 2020 $'000	Half-year 2019 $'000
(a) Cost of sales		
Production expenses	**28,531**	-
Royalties and other selling costs	**3,706**	-
Depreciation and amortisation	**5,405**	-
Changes in inventory (cash)	**(1,923)**	-
Changes in inventory (non-cash)	**(3,939)**	-
	31,780	-
(b) Other expenses		
Accretion of rehabilitation provision	**20**	-
Depreciation and amortisation	**39**	142
Withholding tax expense	**327**	-
	386	142

5) INCOME TAX

A. INCOME TAX RECOGNISED IN PROFIT OR LOSS

	Half-year 2020 $'000	Half-year 2019 $'000
Current tax	**-**	-
Deferred tax	**8,827**	-
(Under) Over provided in prior years	**-**	-
	8,827	-

5) INCOME TAX (CONTINUED)

B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	Half-year 2020 $'000	Half-year 2019 $'000
Accounting profit (loss) before tax	**12,580**	(3,491)
Income tax expense (benefit) at 30% (30 June 2019: 27.5%)	**3,774**	(960)
Add (Deduct):		
Non-deductible expenses incurred in Burkina Faso	**1,117**	-
Effect of share-based payments expense not deductible	**371**	32
Effect of differences in foreign tax rates	**(534)**	-
Effect of differences in foreign exchange	**(233)**	169
Deferred tax movement re borrowing costs	**2,396**	-
Other permanent adjustment	**372**	1
Over and under - deferred tax expense	**785**	-
Movement in unrecognised deferred tax assets	**779**	758
Income tax expense	**8,827**	-

C. UNRECOGNISED DEFERRED TAX BALANCES

	Half-year 2020 $'000	Half-year 2019 $'000
(a) Unrecognised deferred tax assets		
Annual leave provision	**71**	-
Accrued expenses	**14**	-
Employee provisions	**70**	-
Long service leave provision	**10**	-
Borrowings	**15,980**	-
Leases	**104**	-
Tax losses	**14,214**	-
Section 40-880 undeducted losses	**150**	-
(b) Unrecognised deferred tax liabilities		
Prepayments	**(1)**	-
Right-of-use assets	**(103)**	-
Borrowing costs	**(753)**	-
Net unrecognised deferred tax asset	**29,756**	-

6) LOSS PER SHARE

	Half-year 2020 $	Half-year 2019 $
Basic and diluted profit (loss) per share (cents per share)	**0.4**	(0.4)
The profit (loss) and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
Profit (Loss) for the year	**3,752,791**	(3,490,946)
Weighted average number of shares outstanding during the period used in calculations of basic profit (loss) per share	**871,182,765**	866,898,483
Weighted average number of diluted shares outstanding during the period used in calculations of diluted profit (loss) per share	**878,053,198**	872,947,253

7) INVENTORIES

	30 June 2020 $'000	31 December 2019 $'000
Ore stockpiles – cost	**6,792**	-
Finished goods – cost	**18,031**	-
Gold in circuit – cost	**2,502**	-
Consumable supplies and spares – cost	**11,569**	-
	38,894	-

8) PROPERTY, PLANT AND EQUIPMENT

Cost and accumulated depreciation	Mine development assets $'000	Mines under construction $'000	Capital in progress $'000	Land and buildings $'000	Office equipment $'000	Plant and equipment $'000	Light vehicles $'000	Total $'000
31 December 2019								
Gross carrying amount at cost	-	242,477	-	188	302	1,665	928	245,560
Accumulated depreciation	-	-	-	(137)	(246)	(1,580)	(895)	(2,859)
Net carrying amount	-	242,477	-	51	56	85	32	242,701
30 June 2020								
Gross carrying amount at cost	**79,889**	**8,863**	**1,999**	**30,487**	**306**	**200,270**	**3,971**	**325,785**
Accumulated depreciation	**(1,231)**	**-**	**-**	**(640)**	**(265)**	**(4,548)**	**(1,066)**	**(7,750)**
Net carrying amount	**78,658**	**8,863**	**1,999**	**29,847**	**41**	**195,722**	**2,905**	**318,035**

Carrying value	Mine development assets $'000	Mines under construction $'000	Capital in progress $'000	Land and buildings $'000	Office equipment $'000	Plant and equipment $'000	Light vehicles $'000	Total $'000
31 December 2019								
At the beginning of the period	-	18,830	-	102	50	188	48	19,218
Additions	-	222,878	-	-	40	-	8	222,926
Depreciation expensed for the period	-	-	-	(3)	(12)	(50)	(24)	(89)
Depreciation capitalised for the period	-	-	-	(47)	(22)	(51)	-	(120)
Change in rehabilitation provision	-	2,098	-	-	-	-	-	2,098
Effects of movement in foreign exchange	-	(1,329)	-	(1)	-	(2)	-	(1,332)
Net of accumulated depreciation	-	242,477	-	51	56	85	32	242,701
30 June 2020								
At the beginning of the period	**-**	**242,477**	**-**	**51**	**56**	**85**	**32**	**242,701**
Transfers from mine under construction	**72,780**	**(304,678)**	**-**	**30,296**	**-**	**198,575**	**3,027**	**-**
Transfers to other assets	**-**	**(29,448)**	**-**	**-**	**-**	**-**	**-**	**(29,448)**
Additions	**3,903**	**101,865**	**1,999**	**-**	**-**	**-**	**-**	**107,767**
Depreciation expensed for the period	**(1,272)**	**-**	**-**	**(501)**	**(8)**	**(3,020)**	**(160)**	**(4,961)**
Depreciation capitalised for the period	**-**	**42**	**-**	**(16)**	**(8)**	**(18)**	**-**	**-**
Change in rehabilitation provision	**3,205**	**-**	**-**	**-**	**-**	**-**	**-**	**3,205**
Effects of movement in foreign exchange	**42**	**(1,395)**	**-**	**18**	**1**	**99**	**6**	**(1,229)**
Net of accumulated depreciation	**78,658**	**8,863**	**1,999**	**29,848**	**41**	**195,721**	**2,905**	**318,035**

9) EXPLORATION AND EVALUATION ASSETS

	30 June 2020 $'000	31 December 2019 $'000
Balance at the start of the period	**-**	-
Additions	**15,252**	-
Balance at 30 June 2020	**15,252**	-

During the half year, the Group recognised $15,252,000 of exploration and evaluation asset additions relating to acquisition costs for the Toega gold deposit (2019: nil).

10) TRADE AND OTHER PAYABLES

	30 June 2020 $'000	31 December 2019 $'000
Current		
Trade payables	**36,820**	8,091
Accruals	**10,998**	5,465
Other payables	**574**	334
	48,392	13,890

11) LOANS AND BORROWINGS

	30 June 2020 $'000	31 December 2019 $'000
Current	**59,941**	22
Non-current	**227,318**	235,063
	287,259	235,085

A. PROJECT DEBT FACILITY

	30 June 2020 $'000	31 December 2018 $'000
Current	**59,403**	-
Non-current	**213,630**	230,325
	273,033	230,325

In 2019 the Group executed a project debt facility with Taurus Funds Management Pty Ltd for the development of the Sanbrado gold project. The facility has a drawdown limit of US$200 million and is secured against the assets of the Group. Interest is charged at 7.75% per annum on drawn amounts and 2% per annum on the undrawn amount and scheduled monthly repayments commence on 31 March 2021. The Group is also obligated to pay a product fee under the facility (refer to Note 17(C)(i)). As at 30 June 2020 the facility was fully drawn.

11) LOANS AND BORROWINGS (CONTINUED)

B. SUPPLIER LOAN FACILITIES

	30 June 2020 $'000	31 December 2018 $'000
Current	**538**	22
Non-current	**13,688**	4,738
	14,226	4,760

In 2019 a loan facility was entered into with Byrnecut Burkina Faso SARL as a component of the Sanbrado underground mining services contract. The facility has a limit of US$10 million and interest is charged at a rate of 9.75% per annum. Interest is payable half-yearly and the principal is due 6 months before termination of the 5-year services contract. The balance outstanding under the facility at 30 June 2020 was US$9.8 million inclusive of accrued interest.

12) PROVISIONS

	30 June 2020 $'000	31 December 2019 $'000
Non-current		
Long service leave provision	**32**	60
Rehabilitation provision	**7,519**	4,218
	7,551	4,278
Reconciliation of movements in rehabilitation provision:		
Balance at the start of the period	**4,218**	2,121
Increase in rehabilitation provision during the period	**3,225**	2,097
Effects of movement in foreign exchange	**76**	-
Balance at the end of the period	**7,519**	4,218

The Group's rehabilitation provision is the best estimate of the present value of the future cash flows required to settle the Sanbrado mine site restoration obligations at the reporting date, based on current legal requirements and technology. The amount provided each period is also capitalised as an asset under mine development assets in property, plant and equipment.

13) DEFERRED TAX LIABILITIES

	30 June 2020 $'000	31 December 2019 $'000
(a) Deferred tax assets		
Trade and other receivables	**(66)**	-
Tax losses	**(4,342)**	-
(b) Deferred tax liabilities		
Property, plant and equipment	**2,891**	-
Trade and other payables	**252**	-
Borrowing costs	**10,092**	-
Net deferred tax liabilities	**8,827**	-

14) ISSUED CAPITAL

	30 June 2020 $'000	31 December 2019 $'000
Fully paid ordinary shares	**164,112**	162,919
(a) Number of shares	**No.**	**No.**
At start of period	**870,478,852**	863,524,727
Issue of shares 30 January 2019	**-**	876,000
Issue of shares on exercise of options	**4,353,800**	6,078,125
Balance at end of period	**874,832,652**	870,478,852
(b) Value of shares	**$'000**	**$'000**
At start of period	**162,919**	161,947
Issue of shares 30 January 2019	**-**	219
Issue of shares on exercise of options	**1,197**	770
Share issue costs	**(4)**	(17)
Balance at end of period	**164,112**	162,919

15) RESERVES

	30 June 2020 $'000	31 December 2019 $'000
Reserves	**6,739**	7,373
Reserves comprise the following:		
(a) Foreign currency translation reserve		
At start of period	**(543)**	670
Currency translation differences	**(1,587)**	(1,213)
Balance at end of period	**(2,130)**	(543)
(b) Share-based payments reserve		
At start of period	**7,916**	6,874
Options issued – share-based payment expense	**1,230**	974
Options issued in lieu of directors fees	**35**	68
Reclassification of expired options	**(312)**	-
Balance at end of period	**8,869**	7,916

15) RESERVES (CONTINUED)

Nature and purpose of reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record the Group's exchange differences arising from the translation of loans to foreign subsidiaries that are expected to be repaid in the long term and the translation of the financial statements of foreign subsidiaries.

(b) Shared-based payments reserve

The shared-based payments reserve is used to recognise the fair value of options issued by the Company to Directors, employees and other suppliers or consultants that are not exercised or expired.

16) DIVIDENDS

No dividends have been paid or declared payable during the reporting period (31 December 2019: nil).

17) COMMITMENTS AND OTHER CONTINGENCIES

A. COMMITMENTS IN RELATION TO EXPLORATION AND MINING LEASE

In order to maintain current rights of tenure to exploration tenements, the Group is required to outlay rental fees and to meet the minimum expenditure requirements. These discretionary costs are not provided for in the financial statements and will be payable as follows:

	30 June 2020 $'000	31 December 2019 $'000
Due within 1 year	**190**	424
Due after 1 year but not more than 5 years	**-**	33
Due after 5 years	**-**	-
	190	457

B. COMMITMENTS IN RELATION TO OPERATIONS

Commitments of the Group in relation to the operations of the Sanbrado Gold Project mine site will be payable as follows:

	30 June 2020 $'000	31 December 2019 $'000
Due within 1 year	**4,080**	21,626
Due after 1 year but not more than 5 years	**-**	-
Due after 5 years	**-**	-
	4,080	21,626

17) COMMITMENTS AND OTHER CONTINGENCIES (CONTINUED)

C. CONTINGENT LIABILITIES

(i) Product fee (Taurus cash-settled offtake)

Under the project finance facility for the Sanbrado Gold project the Group has a contractual commitment to pay a fee on the first 1,250,000 ounces of gold refined from the Sanbrado Gold project (the "Product Fee"). The Product Fee for each ounce of gold refined is calculated as the spread between the LBMA quoted am fix price on the date the refined gold is credited to the Group's metals account and the lowest LBMA quoted gold price (am fix or pm fix) during the preceding 8 business day period.

The Group has the option to buy back the Product Fee commitment at any time by paying Taurus cash consideration equal to the net present value (applying a 5% annual discount rate, and assuming the timing of gold production as set out in the mine production schedule) of the pre-agreed price per ounce for the remaining committed ounces.

During the half year the Group incurred US$719,757 (A$1,106,743) of Product Fees in relation to 22,225 ounces of refined gold (2019: nil) that are recorded under 'finance expenses' in the 'statement of profit or loss and other comprehensive income'. This represents an average payment per ounce of US$32.39. The Group had 1,227,775 ounces remaining under the Product Fee commitment at 30 June 2020 (31 December 2019: 1,250,000).

(ii) Other contingent liabilities

There were no other material contingent liabilities at the end of the period (31 December 2019: nil).

18) INTEREST IN SUBSIDIARIES

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

		Ownership interest	
		30 June 2020	31 December 2019
Controlled entities	**Country of incorporation**	**%**	**%**
Parent Entity:			
West African Resources Limited	Australia		
Subsidiaries of West African Resources Limited:			
WAF Finance Pty Ltd	Australia	**100**	100
Wura Resources Pty Ltd SARL	Burkina Faso	**100**	100
West African Resources Development SARL	Burkina Faso	**100**	100
Channel Resources Ltd	Canada	**100**	100
which owns			
Channel Resources (Cayman I) Ltd	Cayman Islands	**100**	100
which owns			
Channel Resources (Cayman II) Ltd	Cayman Islands	**100**	100
which owns			
Tanlouka SARL	Burkina Faso	**100**	100
Société des Mines de Sanbrado SA [1]	Burkina Faso	**90**	90

[1]The remaining 10% of Société des Mines de Sanbrado SA is held by the government of Burkina Faso which is entitled to a free carried 10% interest in the project.

Intercompany transactions between the parent entity and its subsidiaries are eliminated on consolidation.

18) INTEREST IN SUBSIDIARIES (CONTINUED)

Summarised financial information for Société des Mines de Sanbrado SA before intragroup eliminations, is set out below.

	Half-year 2020 $'000	Half-year 2019 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	**58,570**	-
Profit (Loss) for the period:		
Attributable to owners of the parent	**7,987**	(3,015)
Attributable to non-controlling interest	**887**	(332)
	8,874	(3,347)
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	**88,692**	5,002
Non-current assets	**327,425**	92,626
	416,117	97,628
Liabilities		
Current liabilities	**236,947**	114,145
Non-current liabilities	**192,349**	7,639
	429,296	121,784
Equity		
Attributable to owners of the parent	**(11,861)**	(21,740)
Attributable to non-controlling interest	**(1,318)**	(2,416)
	(13,179)	(24,156)
STATEMENT OF CASH FLOWS		
Net cash from (used in) operating activities	**61,798**	(366)
Net cash from (used in) investing activities	**(69,586)**	3,958
Net cash from financing activities	**53,901**	-
	46,113	3,592

19) SUBSEQUENT EVENTS AFTER THE BALANCE DATE

There has not arisen in the interval between the end of the reporting period 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 substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

20) SHARE-BASED PAYMENTS

A. PERFORMANCE RIGHTS

Performance rights are issued for nil consideration in the form of zero exercise price options (ZEPO) and premium exercise price options (PEPO). Performance rights are subject to vesting conditions as determined by the Board of Directors. Any performance rights that do not vest by their expiry date will lapse. Upon vesting, these performance rights will be settled in ordinary fully paid shares of the Company.

(a) Summary of performance rights granted under the Employee Share and Option Plan

Number	Grant date	Expiry date	Exercise price	Fair value at grant date	Vesting date
1,227,105	9-Jan-20	9-Jan-23	$0.0000	$533,791	Hold continuous office as an employee or a director of the Company for 1 year from the date the options were issued
131,578	9-Jan-20	9-Jan-25	$0.0000	$57,236	500,000oz gold poured within 3 years from the date the options were issued
131,578	9-Jan-20	9-Jan-25	$0.6061	$19,908	When the company's share price first equals the option exercise price ($0.6061)
334,927	29-May-20	29-May-23	$0.0000	$281,339	Hold continuous office as an employee of the Company for 1 year from the date the options were issued
550,329	29-May-20	29-May-23	$0.0000	$462,201	When KPIs are achieved and hold continuous office as an employee of the Company for 2 years from the date the options were issued
657,894	29-May-20	29-May-25	$0.0000	$552,631	500,000oz gold poured within 3 years from the date the options were issued
657,894	29-May-20	29-May-24	$0.6061	$336,842	When the company's share price first equals the option exercise price ($0.6061)

(b) Summary of performance rights exercised during the half year

No performance rights were exercised during the half year.

(c) Fair value of performance rights granted

The fair value of the performance rights granted during the period was determined using the Black-Scholes and Monte Carlo Simulation pricing methods.

Number issued	Grant date	Expected life of rights	Dividend yield	Expected volatility	Risk-free interest rate	Exercise price	Share price on grant date
1,227,105	9-Jan-20	3 years	0%	54%	2.75%	$0.0000	$0.4350
131,578	9-Jan-20	5 years	0%	54%	2.75%	$0.0000	$0.4350
131,578	9-Jan-20	4 years	0%	54%	2.75%	$0.6061	$0.4350
334,927	29-May-20	3 years	0%	60%	5.75%	$0.0000	$0.8400
550,329	29-May-20	3 years	0%	60%	5.75%	$0.0000	$0.8400
657,894	29-May-20	5 years	0%	74%	3.25%	$0.0000	$0.8400
657,894	29-May-20	4 years	0%	64%	3.25%	$0.6061	$0.8400

20) SHARE-BASED PAYMENTS (CONTINUED)

B. SHARE OPTIONS

Share options are issued for nil consideration. The exercise price, vesting conditions and expiry date are determined by the Board of Directors. Any options that are not exercised by the expiry date will lapse. Upon vesting, these options will be settled in ordinary fully paid shares of the Company.

(a) Summary of options granted by the Group

Number	Grant date	Expiry date	Exercise price	Fair value at grant date	Vesting date
250,000	29-Apr-20	29-Apr-24	$0.7346	$98,350	29-Apr-20
182,100	29-May-20	11-Jun-22	$0.0000	$140,481	Hold continuous office as a director of the Company for 1 year from the date the options were issued

(b) Summary of options exercised during the half year

Exercise date	Number	Share price at exercise date
11-Mar-20	150,000	$0.5650
12-May-20	500,000	$0.7800
27-May-20	750,000	$0.7500
30-May-20	827,855	$0.8400
05-Jun-20	2,103,806	$0.9000
11-Jun-20	22,139	$0.9450

(b) Fair value of options granted

The fair value of the options granted during the period was determined using the Black-Scholes pricing method. Further details of the basis of valuation appear below. During the period the Company issued 294,278 options, with a fair value of $116,858, to Directors of the Company pursuant to the terms and conditions of the West African Resources Limited’s Incentive Options and Performance Rights Plan and to a third party.

Number issued	Grant date	Expected life of rights	Dividend yield	Expected volatility	Risk-free interest rate	Exercise price	Share price on grant date
250,000	29-Apr-20	4 years	0%	67%	3.25%	$0.7346	$0.7400
182,100	29-May-20	2 years	0%	66%	5.75%	$0.0000	$0.8400

20) SHARE-BASED PAYMENTS (CONTINUED)

B. SHARE OPTIONS (CONTINUED)

The outstanding balance of options and rights as at 30 June 2020 is represented by the following table:

				Number of options and rights				
Grant date	Vesting date	Expiry date	Exercise price	Granted	Lapsed / Cancelled	Exercised	On issue	Vested
ZEPOs								
28-Dec-18	When the Company achieves the certain milestones in relation to its Sanbrado Gold Project within 12 months of the date the performance rights are issued	28-Dec-21	$0.0000	1,022,565	-	-	1,022,565	-
28-Dec-18	First gold pour and commercial production	28-Dec-23	$0.0000	944,167	-	-	944,167	944,167
14-Feb-19	Hold continuous office as a director of the Company for 1 year from the date the options were issued	14-Feb-21	$0.0000	259,516	-	(181,661)	77,855	77,855
07-Jul-19	When KPIs are achieved	01-Jun-22	$0.0000	61,047	-	-	61,047	-
9-Jan-20	Hold continuous office as an employee or a director of the Company for 1 year from the date the options were issued	20-Jan-23	$0.0000	963,948	-	-	963,948	-
9-Jan-20	When KPIs are achieved and hold continuous office as an employee of the Company for 2 years from the date the options were issued	20-Jan-23	$0.0000	263,157	-	-	263,157	-
9-Jan-20	500,000oz gold poured within 3 years from the date the options were issued	20-Jan-23	$0.0000	131,578	-	-	131,578	-
29-May-20	Hold continuous office as a director of the Company for 1 year from the date the options were issued	11-Jun-22	$0.0000	44,278	-	(22,139)	22,139	22,139
29-May-20	Hold continuous office as an employee of the Company for 1 year from the date the options were issued	11-Jun-23	$0.0000	334,927	-	-	334,927	-
29-May-20	When KPIs are achieved and hold continuous office as an employee of the Company for 2 years from the date the options were issued	11-Jun-23	$0.0000	550,239	-	-	550,239	-
29-May-20	500,000oz gold poured within 3 years from the date the options were issued	11-Jun-25	$0.0000	657,894	-	-	657,894	-
29-May-20	Hold continuous office as a director of the Company for 1 year from the date the options were issued	8-Jul-22	$0.0000	137,822	-	-	137,822	-
	Total ZEPOs			**5,371,138**	**-**	**(203,800)**	**5,167,338**	**1,044,161**

20) SHARE-BASED PAYMENTS (CONTINUED)

B. SHARE OPTIONS (CONTINUED)

The outstanding balance of options and rights as at 30 June 2020 is represented by the following table:

				Number of options and rights				
Grant date	**Vesting date**	**Expiry date**	**Exercise price**	**Granted**	**Lapsed / Cancelled**	**Exercised**	**On issue**	**Vested**
PEPOs								
21-Mar-17	First gold production	21-Mar-20	$0.2400	400,000	(250,000)	(150,000)	-	-
12-May-17	First gold production	12-May-20	$0.2400	500,000	-	(500,000)	-	-
18-Oct-17	First gold production	18-Oct-20	$0.3750	750,000	-	-	750,000	750,000
03-Nov-17	First gold production	09-Nov-20	$0.2400	2,750,000	-	(750,000)	2,000,000	2,000,000
29-Mar-18	First gold production	29-Mar-21	$0.4100	1,250,000	-	-	1,250,000	1,250,000
26-Sep-18	First gold production	26-Sep-21	$0.3100	500,000	-	-	500,000	500,000
28-Nov-18	First gold production and first concrete pour for the plant	28-Nov-21	$0.3100	1,000,000	-	-	1,000,000	1,000,000
28-Dec-18	First gold pour and commercial production	28-Dec-21	$0.3200	2,500,000	-	(2,000,000)	500,000	500,000
28-Dec-18	When the company's share price first equals the option exercise price ($0.4300)	28-Dec-22	$0.4300	1,223,828	-	-	1,223,828	1,223,828
05-Mar-19	First gold pour and commercial production	05-Mar-22	$0.2950	1,000,000	-	(750,000)	250,000	250,000
20-Jan-20	When the company's share price first equals the option exercise price ($0.6061)	20-Jan-24	$0.6061	131,578	-	-	131,578	131,578
29-Apr-20	29 April 2020	29-Apr-24	$0.7346	250,000	-	-	250,000	250,000
11-Jun-20	When the company's share price first equals the option exercise price ($0.6061)	11-Jun-24	$0.6061	657,894	-	-	657,894	657,894
	Total PEPOs			**12,913,300**	**(250,000)**	**(4,150,000)**	**8,513,300**	**8,513,300**
	Total options and rights			**18,284,438**	**(250,000)**	**(4,353,800)**	**13,680,638**	**9,557,461**

DIRECTORS’ DECLARATION

In the opinion of the Directors:

a. The interim financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the consolidated entity’s financial position as at 30 June 2020 and of its performance for the half-year then ended; and

    (ii) complying with Australian Accounting Standard 134: Interim Financial Reporting, the Corporations Regulations 2001, and other mandatory professional reporting requirements.

b. There are reasonable grounds to believe that West African Resources Limited will be able to pay its debts as and when they become due and payable.

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

RICHARD HYDE
Executive Chairman
31 August 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of West African Resources Limited for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Perth, Western Australia
31 August 2020

B G McVeigh
Partner

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

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of West African Resources Limited ("the company") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 30 June 2020 is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B G McVeigh
Partner

Perth, Western Australia
31 August 2020