West African Resources Limited

(ABN 70 121 539 375)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the three and six months ended 31 December 2015

Registered Office

14 Southbourne Street
Scarborough
Western Australia 6019
Ph: +61 (8) 9481 7344
Fax: +61 (8) 9481 7355

Principal place of business

14 Southbourne Street
Scarborough
Western Australia 6019
Ph: +61 (8) 9481 7344
Fax: +61 (8) 9481 7355

Website
www.westafricanresources.com

Email
info@westafricanresources.com

NOTICE TO READERS

The accompanying unaudited condensed consolidated interim financial statements of West African Resources Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management. These condensed consolidated interim financial statements for the three and six months ended 31 December 2015 have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Australian Dollars.

Richard Hyde	**Simon Storm**
Managing Director/	**Chief Financial Officer**
Chief Executive Officer	

Perth
Western Australia

Date: 12 February 2016

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Consolidated	
		31-Dec-15 Unaudited $	30-Jun-15 Audited $
CURRENT ASSETS			
Cash and cash equivalents	3	**2,652,637**	3,511,892
Trade and other receivables		**83,211**	81,983
Financial assets		**34,161**	34,161
Total Current Assets		**2,770,009**	3,628,036
NON-CURRENT ASSETS			
Plant & equipment	4	**106,110**	182,035
Total Non-Current Assets		**106,110**	182,035
TOTAL ASSETS		**2,876,119**	3,810,071
CURRENT LIABILITIES			
Trade and other payables	5	**840,875**	668,450
Borrowings	6	**6,944,444**	-
Total Current Liabilities		**7,785,319**	668,450
NON-CURRENT LIABILITIES			
Borrowings	6	**-**	6,493,506
Total Non-current Liabilities		**-**	6,493,506
TOTAL LIABILITIES		**7,785,319**	7,161,956
NET (LIABILITIES)/ASSETS		**(4,909,200)**	(3,351,885)
EQUITY			
Issued capital	7	**34,188,256**	32,173,325
Reserves	8	**5,541,708**	5,221,990
Accumulated losses		**(44,639,164)**	(40,747,200)
TOTAL (DEFICIT)/EQUITY		**(4,909,200)**	(3,351,885)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 3 AND 6 MONTHS ENDED 31 DECEMBER 2015

	Consolidated			Consolidated	
	3 months ended 31-Dec-15 $	3 months ended 31-Dec-14 $		6 months ended 31-Dec-15 $	6 months ended 31-Dec-14 $
Revenue from continuing operations	**583**	4,710		**1,316**	7,623
Foreign exchange gain	**136,584**	-		**-**	-
Regulatory and compliance expense	**(21,298)**	(13,209)		**(68,249)**	(52,394)
Office expense	**(66,077)**	(7,742)		**(88,170)**	(38,204)
Depreciation expense	**(32,427)**	(74,994)		**(93,740)**	(148,866)
Personnel expense	**(138,109)**	(101,419)		**(231,365)**	(147,231)
Travel and accommodation expense	**(6,901)**	(1,652)		**(24,421)**	(8,698)
Property expense	**(35,040)**	(7,402)		**(52,807)**	(32,083)
Consulting fee expense	**(115,396)**	(254,125)		**(156,926)**	(316,107)
Audit fees	**(8,500)**	(14,243)		**(8,500)**	(22,800)
Director's fees	**(12,500)**	(26,250)		**(30,611)**	(52,500)
Share based payments	**(19,258)**	(2,188,800)		**(35,490)**	(2,194,962)
Exploration related costs	**(1,338,874)**	(712,440)		**(2,100,485)**	(1,566,867)
Feasibility and scoping studies	**(269,921)**	(168,772)		**(693,740)**	(213,271)
Impairment of non current assets	**(450)**	-		**(450)**	-
Foreign exchange loss	**-**	(26,670)		**(297,736)**	(116)
Interest expense	**(150,930)**	(15,002)		**(288,930)**	(15,002)
Loss before tax	**(2,078,514)**	(3,608,010)		**(4,170,304)**	(4,801,478)
Income tax benefit	**278,340**	279,478		**278,340**	279,478
Loss after tax	**(1,800,174)**	(3,328,532)		**(3,891,964)**	(4,522,000)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations	**(29,296)**	54,491		**38,323**	27,075
Other comprehensive income, net of income tax	**(29,296)**	54,491		**38,323**	27,075
Total comprehensive loss for the year attributable to the owners of West African Resources Ltd	**(1,829,470)**	(3,274,041)		**(3,853,641)**	(4,494,925)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company					
Basic loss per share (cents per share)	**(0.7)**	(1.2)	**4**	**(1.4)**	(1.7)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3 AND 6 MONTHS ENDED 31 DECEMBER 2015

	Consolidated		Consolidated	
	3 months ended 31-Dec-15 $	3 months ended 31-Dec-14 $	6 months ended 31-Dec-15 $	6 months ended 31-Dec-14 $
	Inflows/(Outflows)		Inflows/(Outflows)	
Cash Flows from Operating Activities				
Payments to suppliers and employees	**(291,535)**	(177,572)	**(584,417)**	(427,581)
Exploration related expenditure	**(762,240)**	(654,313)	**(1,391,350)**	(1,685,250)
Feasibility and scoping expenditure	**(396,223)**	(168,772)	**(714,649)**	(213,271)
Purchase of prospects and investments	**(363,531)**	-	**(363,531)**	-
Interest received	**583**	1,708	**1,316**	8,621
Interest paid	**(2,909)**	-	**(268,273)**	-
Other - R&D tax offset	**278,340**	-	**278,340**	-
Net cash outflow from operating activities	**(1,537,515)**	(998,949)	**(3,042,564)**	(2,317,481)
Cash Flows from Investing Activities				
Purchase of plant and equipment	**(7,228)**	(3,131)	**(9,440)**	(3,879)
Net cash outflow from investing activities	**(7,228)**	(3,131)	**(9,440)**	(3,879)
Cash Flows from Financing Activities				
Proceeds from issue of shares	**2,041,165**	-	**2,041,165**	-
Proceeds from convertible note facility	**-**	6,172,840	**-**	6,172,840
Share issue related costs	**(24,241)**	-	**(24,241)**	-
Convertible note related costs	**-**	(154,321)	**-**	(154,321)
Net cash inflow from financing activities	**2,016,924**	6,018,519	**2,016,924**	6,018,519
Net increase/(decrease) in cash held	**472,181**	5,016,439	**(1,035,080)**	3,697,159
Cash at the beginning of the financial period	**2,221,018**	1,211,055	**3,511,892**	2,522,917
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(40,562)**	4,094	**175,825**	11,512
Cash at the end of the financial period	**2,652,637**	6,231,588	**2,652,637**	6,231,588

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2015

	Consolidated				
	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payments Reserve	Total
	$	$	$	$	$
Balance at 1 July 2014	32,173,325	(33,055,869)	428,304	2,939,735	2,485,495
Loss after tax	-	(4,522,000)	-	-	(4,522,000)
Net exchange differences on translation of the financial reports of foreign subsidiaries	-	-	27,075	-	27,075
Share based payments	-	-	-	2,194,962	2,194,962
Balance at 31 December 2014	32,173,325	(37,577,869)	455,379	5,134,697	185,532
Balance at 1 July 2015	**32,173,325**	**(40,747,200)**	**63,176**	**5,158,814**	**(3,351,885)**
Shares issued during the year net of transaction costs	**2,014,931**	**-**	**-**	**-**	**2,014,931**
Loss after tax	**-**	**(3,891,964)**	**-**	**-**	**(3,891,964)**
Net exchange differences on translation of the financial reports of foreign subsidiaries	**-**	**-**	**38,323**	**-**	**38,323**
Share based payments	**-**	**-**	**-**	**281,395**	**281,395**
Balance at 31 December 2015	**34,188,256**	**(44,639,164)**	**101,499**	**5,440,209**	**(4,909,200)**

1 NATURE AND CONTINUANCE OF OPERATIONS

West African Resources Ltd. ("**the Company**" or "**West African**") is a public company, incorporated in Australia and operating in Australia. The Company was incorporated on 1 September 2006 as a proprietary company and converted to a public company on 16 November 2007. The company listed on the ASX on 11 June 2010. West African is a mineral exploration company focused on building shareholder value through the identification, acquisition, exploration and development of mineral projects. The Group's current portfolio includes mineral rights in a gold project in Burkina Faso.

The underlying value and recoverability of the resource assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete exploration and development, and the future profitable production and/or disposition thereof.

The Company completed a technical and financial assessment of an oxide heap leach starter project on its Mankarga 5 Gold Project, Burkina Faso in February 2015. This assessment constituted a Pre-Feasibility Study (incorporating updated mineral resource, mining schedule, column test work and cost inputs). The Company is now in the process of completing a full Feasibility Study for this project in addition to carrying out resource upgrade drilling.

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

2 BASIS OF PRESENTATION

(a) Statement of Compliance

These Interim Financial Statements have been prepared in accordance with *International Financial Reporting Standard 34, "Interim Financial Reporting*" ("IAS 34"). They do not include all the information and notes required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 30 June 2014 ("2014 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Results for the period ended 31 December 2015 are not necessarily indicative of the results for the full fiscal year ending 30 June 2015.

These Interim Financial Statements have been prepared using accounting policies consistent to those used in the 2015 Annual Financial Statements, and were authorised for publication by the Company's board of directors on 12 February 2016.

(b) Going concern

Notwithstanding the fact that the Company has a net liability position of $4,909,200 (30 June 2015: net liability $3,351,885), the directors are of the opinion that the Company is a going concern for the following reasons.

- The Group has successfully completed capital raisings during the year as disclosed in Note 7 and has the ability to continue doing so on a timely basis, pursuant to the Corporations Act 2001, as is budgeted to occur in the twelve month period from the date of this financial report;
- The Group has a working capital deficit of $5,015,310 (30 June 2015: working capital surplus $2,959,586) which has arisen due to the USD 5 million loan being reclassified from a non-current liability to a current liability as at 30 September 2015. A key term of the loan agreement is the bullet repayment on the earlier of 30 September 2016 and the date on which WAF receives proceeds from a project financing or capital raising. The Company is progressing discussions with the lender to extend the maturity date of this facility and obtain additional funding for the early acquisition of assets, prior to obtaining project funding followed by full scale development of the project; and
- The Company and Group have the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in mineral exploration and development assets.

The Directors also anticipate that a further equity raising will be required and will be completed in the 2016 financial year. Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the statement of financial position.

(c) Principles of Consolidation

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

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

(d) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Income Tax

The income tax expense or benefit for the year is based on the profit or loss for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted as at balance date.

Deferred tax is 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.

(f) Other taxes

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

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

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

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

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

(g) Exploration, Evaluation and Development Expenditure

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

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

(h) Plant and Equipment

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

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

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

(i) Trade and other accounts payable

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

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(k) Recoverable Amount of Non Current Assets

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

(l) Operating Revenue

Revenue represents interest received and reimbursements of exploration expenditures.

(m) Issued Capital

Ordinary Shares are classified as equity.

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

(n) Employee benefits

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

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

(o) Critical accounting estimates and judgments

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

(p) Share Based Payments

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

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

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

(q) Foreign currency translation

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

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.
All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

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

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

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

The functional currency of the foreign subsidiaries, Wura Resources Pty Ltd SARL, Swan Resources SARL, Hawthorn Resources SARL, West African Resources Exploration SARL, West African Resources Development SARL, West African Resources Ltd SARL and Tanlouka SARL is the Communaute Financiere Africaine Franc (CFA). The functional currency of the foreign subsidiary, Channel Resources Ltd is the Canadian Dollar (CAD). The functional currency of the foreign subsidiaries, Channel Resources (Cayman I) Ltd and Channel Resources (Cayman II) Ltd is the United States Dollar (USD).

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of West African Resources Limited at the rate of exchange ruling at the balance date and their income statements are translated at the average exchange rate for the period.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency reserve.

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

(r) Financial assets

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

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

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

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

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

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

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

(s) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis

(Unaudited - expressed in Australian Dollars)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(t) Acquisitions outside of the scope of AASB 3 Business Combinations

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

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

2 SEGMENT REPORTING

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of West African Resources Ltd.

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

3 CASH AND CASH EQUIVALENTS

	Consolidated	
	31-Dec-15 Unaudited $	30-Jun-15 Audited $
Cash at bank and in hand	**208,767**	274,974
Deposits at call	**2,443,870**	3,236,918
	2,652,637	3,511,892

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(Unaudited - expressed in Australian Dollars)

4 PLANT & EQUIPMENT

	Consolidated Group				
	Buildings $	Office Equipment $	Plant & Equipment $	Motor Vehicles $	Total $
Year ended 30 June 2015					
At 1 July 2014, net of accumulated depreciation	11,708	36,526	343,667	58,691	450,592
Effects of movement in foreign exchange	(74)	(52)	(1,367)	(344)	(1,837)
Additions	3,041	24,264	828	-	28,133
Depreciation charge for the year	(11,046)	(30,107)	(201,829)	(51,871)	(294,853)
At 30 June 2015, net of accumulated depreciation	3,629	30,631	141,299	6,476	182,035
6 months ended 31 December 2015					
At 1 July 2015, net of accumulated depreciation	**3,629**	**30,631**	**141,299**	**6,476**	**182,035**
Effects of movement in foreign exchange	**165**	**1,285**	**6,539**	**386**	**8,375**
Additions	**-**	**5,673**	**-**	**3,767**	**9,440**
Depreciation charge for the year	**(1,785)**	**(11,665)**	**(73,114)**	**(7,176)**	**(93,740)**
At 31 December 2015, net of accumulated	**2,009**	**25,924**	**74,724**	**3,453**	**106,110**
At 30 June 2015					
Cost	34,629	178,772	1,226,247	776,224	2,215,872
Accumulated depreciation	(31,000)	(148,141)	(1,084,948)	(769,748)	(2,033,837)
Net carrying amount	3,629	30,631	141,299	6,476	182,035
At 31 December 2015					
Cost	**35,814**	**188,834**	**1,268,243**	**806,574**	**2,299,465**
Accumulated depreciation	**(33,805)**	**(162,910)**	**(1,193,519)**	**(803,121)**	**(2,193,355)**
Net carrying amount	**2,009**	**25,924**	**74,724**	**3,453**	**106,110**

The useful life of the assets was estimated as follows for 2015:
Office equipment, Exploration Equipment and Motor Vehicles 3 years

(Unaudited - expressed in Australian Dollars)

5 TRADE & OTHER PAYABLES

	Consolidated	
	31-Dec-15 Unaudited $	30-Jun-15 Audited $
Current		
Trade payables	**329,129**	222,898
Accruals	**130,136**	90,908
Interest payable	**286,021**	265,364
Other payables	**95,589**	89,280
	840,875	668,450

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

6 BORROWINGS

	Consolidated	
	31-Dec-15 Unaudited $	30-Jun-15 Audited $
Current		
Loan	**6,944,444**	-
Non-current		
Loan	**-**	6,493,506
	6,944,444	6,493,506

Interest-bearing loans and borrowings	Consolidated			
Non-current interest-bearing loans and borrowings	Interest rate %	Maturity	31-Dec-15 Unaudited	30-Jun-15 Audited
8.35% secured loan of US$5,000,000	**LIBOR +7.5%**	30-Sep-16	**6,944,444**	6,493,506

(Unaudited - expressed in Australian Dollars)

6 BORROWINGS (cont.)

(i) Information on Facility

8.35% secured loan of US$5,000,000 with the Metals & Energy Capital Division of Macquarie Bank Limited. The Facility is secured against all assets of West African Resources and its wholly-owned subsidiary, Channel Resources Limited. Drawdown of the Facility was subject to a number of conditions, including the issue of 40,545,224 unlisted options, exercisable at A$0.14 on or before 30 September 2017. A key term of the loan agreement is the bullet repayment on the earlier of 30 September 2016 and the date on which WAF receives proceeds from a project financing or capital raising. Hence, the loan was reclassified to a current liability as at 30 September 2015. Any funds received by West African Resources through the conversion of the options will be applied against the outstanding facility amount, reducing the outstanding debt owed to Macquarie.

The Convertible Loan Agreement contains other customary features, including customary representations and warranties, undertakings and events of default for facilities of this nature.

(ii) Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Amount		Fair value	
	31-Dec-15 Unaudited	30-Jun-15 Audited	31-Dec-15 Unaudited	30-Jun-15 Audited
Floating rate borrowings	**6,944,444**	6,493,506	**6,862,223**	6,358,814

The following method and assumptions were used to estimate the fair value:
The fair value of loans from banks and other financial liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

7 ISSUED CAPITAL

	Consolidated	
	31-Dec-15 Unaudited $	30-Jun-15 Audited $
304,204,039 (30 June 2015: 270,301,498) fully paid ordinary shares	**34,188,256**	32,173,325

(Unaudited - expressed in Australian Dollars)

7 ISSUED CAPITAL (cont.)

(a) Shares

(i) Ordinary shares - number	**Consolidated**	
	31-Dec-15 Unaudited No.	**30-Jun-15 Audited No.**
At start of period	**270,301,498**	270,301,498
Issue of shares 17 November 2015	**2,500,000**	-
Issue of shares 22 December 2015	**31,402,541**	-
Balance at 31 December 2015	**304,204,039**	270,301,498

(ii) Ordinary shares – value	**Consolidated**	
	31-Dec-15 Unaudited $	**30-Jun-15 Audited $**
At start of period	**32,173,325**	32,173,325
Issue of shares 17 November 2015	**300,000**	-
Issue of shares 22 December 2015	**2,041,165**	**-**
Share issue costs	**(326,234)**	**-**
Balance at 31 December 2015	**34,188,256**	32,173,325

(b) Options

	Consolidated	
	31-Dec-15 Unaudited No.	**30-Jun-15 Audited No.**
At start of period	**51,679,873**	9,735,899
Issue of options 22 December 2014	**-**	40,545,224
Issue of options 20 February 2015	**-**	5,750,000
Issue of options 18 August 2015	**500,000**	-
Issue of options 1 December 2018	**2,000,000**	-
Issue of options 22 December 2015	**5,000,000**	-
Expiry of options	**(200,000)**	(4,351,250)
Expiry of options	**(250,000)**	-
Balance at 31 December 2015	**58,729,873**	51,679,873

(Unaudited - expressed in Australian Dollars)

7 ISSUED CAPITAL (cont.)

(b) Options

	Exercise price	Date of Expiry	Number of Options: Balance at 30 June 2015	Granted during the quarter	Lapsed during the quarter	Outstanding at 31 December 2015
Issue of options 17 September 2012	0.30	17-Sep-15	200,000	-	(200,000)	-
Issue of options 16 January 2013	0.40	17-Jan-17	2,171,792	-	-	2,171,792
Issue of options 27 November 2013	0.40	17-Jan-17	1,935,357	-	-	1,935,357
Issue of options 17 January 2014	0.62-1.66	24-Nov-15-26-Jul-17	1,077,500	-	(250,000)	827,500
Issue of options 22 December 2014	0.14	30-Sep-17	40,545,224	-	-	40,545,224
Issue of options 20 February 2015	0.15	20-Feb-18	5,750,000	-	-	5,750,000
Issue of options 18 August 2015	0.10	18-Aug-18	-	500,000	-	500,000
Issue of options 1 December 2015	0.15	01-Dec-18	-	2,000,000	-	2,000,000
Issue of options 22 December 2015	0.08	22-Dec-18	-	5,000,000	-	5,000,000
Total			51,679,873	7,500,000	(450,000)	58,729,873

(c) Warrants

	Consolidated 31-Dec-15 Unaudited No.	Consolidated 30-Jun-15 Audited No.
At start of period	**14,918,508**	14,918,508
Balance at 31 December 2015	**14,918,508**	14,918,508

At the date of the report unissued ordinary shares of the Group under warrant are:

Grant date	Exercise Price $	Date of Expiry	Consolidated 31-Dec-15 Number of Warrants	Consolidated 30-Jun-15 Number of Warrants
Issue of warrants 17/01/2014	0.40	17-Jan-17	**14,918,508**	14,918,508

(Unaudited - expressed in Australian Dollars)

8 RESERVES

	Consolidated	
	31-Dec-15 Unaudited $	30-Jun-15 Audited $
Reserves	**5,541,708**	5,221,990
Reserves comprise the following:		
Foreign Currency Translation Reserve		
At start of period	**63,176**	428,304
Currency translation differences	**38,323**	(365,128)
Balance at 31 December 2015	**101,499**	63,176
Share Based Payments Reserve		
At start of period	**5,158,814**	2,939,735
Options issued - share based payment	**35,490**	2,219,079
Options issued - share issue costs	**245,905**	-
Balance at 31 December 2015	**5,440,209**	5,158,814

9 DIVIDENDS

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

(Unaudited - expressed in Australian Dollars)

10 RELATED PARTY DISCLOSURE

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

Controlled entities	Country of incorporation	Percentage Owned 31-Dec-15 Unaudited %	Percentage Owned 30-Jun-15 Audited %
Parent Entity:			
West African Resources Ltd	Australia		
Subsidiaries of West African Resources Ltd:			
Wura Resources Pty Ltd SARL	Burkina Faso	**100**	100
Swan Resources SARL	Burkina Faso	**100**	100
Hawthorn Resources SARL	Burkina Faso	**100**	100
West African Resources Exploration SARL	Burkina Faso	**100**	100
West African Resources Development SARL	Burkina Faso	**100**	100
West African Resources Ltd SARL	Burkina Faso	**100**	100
Channel Resources Ltd	Canada	**100**	100
which owns			
Channel Resources (Cayman I) Ltd	Cayman	**100**	100
which owns			
Channel Resources (Cayman II) Ltd	Cayman	**100**	100
which owns			
Tanlouka SARL	Burkina Faso	**100**	90

The Company finances the operations of the 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 commercialization of the mining assets owned by the subsidiaries.

	Consolidated 31-Dec-15 $	Consolidated 30-Jun-15 $
Amounts payable to Directors for Directors Fees (including GST)	**12,500**	17,500
Amounts payable to Directors for Consulting Fees (including GST)	**29,786**	29,786

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

(Unaudited - expressed in Australian Dollars)

11 DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

Directors

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

(b) Compensation of Key Management Personnel

	Consolidated		Consolidated	
	3 months ended		6 months ended	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
	$	$	$	$
Short-term employee benefits	**93,735**	107,485	**193,081**	215,010
Share-based payments	**12,634**	-	**23,926**	-
	106,369	107,485	**217,007**	215,010

(Unaudited - expressed in Australian Dollars)

11 DIRECTORS AND EXECUTIVE DISCLOSURES (cont.)

(c) Remuneration of Key Management Personnel

	Consolidated		Consolidated	
	3 months ended		6 months ended	
	31-Dec-15 $	31-Dec-14 $	31-Dec-15 $	31-Dec-14 $
Directors				
The Non-Executive Chairman, Mr Connelly, is paid directors fees of $12,500 / quarter	**12,500**	-	**25,000**	-
The Director and Company Secretary, Mr Storm is a director and shareholder of Dorado Corporate Services Pty Ltd which has provided company secretarial and accounting services to the company on normal commercial terms. $3,745 / month of this amount relates to Company Secretarial remuneration for Mr Storm's services.	**11,235**	11,235	**22,470**	22,510
The Managing Director, Mr Hyde, is a director and shareholder of Azurite Consulting Pty Ltd which has provided:- - Consultancy services to the company on normal commercial terms amounting to $70,000 / quarter.	**70,000**	70,000	**140,000**	140,000
The Director, Mr Harper (resigned 23 June 2015), is a director and shareholder of Blackwood Capital Ltd which has provided consultancy and capital raising services to the company on normal commercial terms. $8,750 / quarter of this amount relates to directors' remuneration.	**-**	8,750	**-**	17,500
The Director, Mr Lulin (resigned 28 August 2015) , is paid directors fees of $8,750 / quarter.	**-**	8,750	**5,611**	17,500
The Director, Mr Jones (resigned 28 August 2015) , is paid directors fees of $8,750 / quarter.	**-**	8,750	**-**	17,500
	93,735	107,485	**193,081**	215,010

(Unaudited - expressed in Australian Dollars)

12 DIRECTORS AND EXECUTIVE DISCLOSURES (cont.)

(d) Other transactions and balances with Key Management Personnel

	Consolidated		Consolidated	
	3 months ended		6 months ended	
	31-Dec-15 $	31-Dec-14 $	31-Dec-15 $	31-Dec-14 $
Directors				
The Director and Company Secretary, Mr Storm is a director and shareholder of Dorado Corporate Services Pty Ltd which has provided company secretarial and accounting services to the company on normal commercial terms. This excludes fees included as remuneration noted under (c).	**10,325**	10,150	**25,525**	23,300
The Managing Director's spouse has provided office premises for $440 per week at 14 Southbourne Street, Scarborough, Western Australia.	**6,232**	3,520	**7,992**	3,520
	16,557	13,670	**33,517**	26,820

13 CONTINGENT LIABILITIES

At the date of this report, the authorities in Burkina Faso are lodging claims with various exploration companies operating in Burkina Faso for withholding taxes on payments of various non resident service providers and the regulation of the contracts of expatriate staff in accordance with taxation regulations in force. Whilst the Company believes it has complied with local regulations, some aspects of the regulations are open to interpretation. The Company has not received any formal claim and in the event of one being received, the effect, if any, that these claims will have, or which future claims will have on the consolidated entity's operations in Burkina Faso is not yet known.

14 CONTINGENT ASSET

There are no contingent assets at 31 December 2015.

15 SUBSEQUENT EVENTS AFTER THE REPORTING DATE

In January 2016, West African Resources Ltd issued 4,669,214 ordinary shares at 6.5 cents , raising $303,500, in a share purchase plan to eligible shareholders.

Other than this, there has not arisen in the interval between the end of the December 2015 quarter end and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.