

Letter of Intent for the Acquisition of Channel Resources by West African Resources

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VANCOUVER and PERTH, Aug. 14, 2013 - [Channel Resources Ltd.](#) ("Channel") (TSX VENTURE:CHU) and [West African Resources Limited](#) ("West African") (ASX:WAF) (ACN 121 539 375) jointly announce the signing of a letter agreement (the "Letter Agreement") pursuant to which the parties intend that West African will acquire, by way of a Plan of Arrangement, all of the issued and outstanding common shares and options of Channel (the "Transaction"). The Transaction has been unanimously approved by the board of directors of both companies.

The Letter Agreement states that the parties intend that all of the common shares of Channel ("Channel Shares") will be exchanged for ordinary shares of West African ("West African Shares") at a ratio of four (4) Channel Shares for one (1) West African Share. In addition, Channel shareholders will receive 1 (one) share purchase warrant ("Warrant") for each two (2) West African shares received in the transaction, each Warrant being exercisable to acquire one (1) West African Share at a price of A\$0.40 for 36 months from completion of the Transaction. Each outstanding Channel option to acquire a Channel Share will be replaced or exchanged for one quarter (1/4) a West African option. The Transaction will result in West African issuing approximately 29.84 million West African Shares, resulting in Channel shareholders holding 13.2% of the total outstanding shares of West African.

The Transaction represents an approximate 100% premium over Channel's recent trading price, based on West African's last closing share price of AUD\$0.16 on July 29, 2013, the last full day of trading prior to the imposition of a voluntary trading halt pending news of the Transaction (current exchange rates of approximately 1 AUD\$ = 0.9460 CDN\$).

Insiders of Channel holding approximately 8% of Channel Shares have signed lock-up agreements to support the Transaction. Under certain circumstances, the lock-up agreements grant to West African the option to buy such shares at the arrangement price if the Transaction does not complete and if West African elects to proceed with an 'any-and-all' takeover bid offer.

Private Placement Financing in Channel Resources

Pursuant to the terms of the Letter Agreement, West African has committed to purchase 29,650,936 shares of Channel at a price of \$0.05 per share by way of a private placement subscription (the "Channel Financing"). Following the closing of the Channel Financing, which will occur as soon as exchange and other regulatory approvals are given, West African will own 19.9% of the Shares of Channel.

Gross proceeds of the placement will total \$1,482,546, which will be used to fund transaction costs and for working capital purposes. Completion of the Channel Financing is subject to execution and delivery of standard documentation and receipt of all required regulatory approvals and consents, including the approval of the TSX.V. Securities issued pursuant to this private placement are subject to a four-month hold period in compliance with applicable securities laws and the policies of the TSX.V.

Primary Objectives of the Transaction

Channel shareholders are expected to benefit from participation in West African's exploration projects in Burkina Faso, encompassing 6,370 square kilometres of landholdings, including the Sartenga permit (hosted within the broader Boulsa project), which hosts a significant initial resource of gold, copper, molybdenum and silver (see "about West African" below). West African shareholders will benefit from Channel's 90% interest in the Tanlouka gold exploration permit ("Tanlouka") in Burkina Faso (see "about Channel" below).

Colin McAleenan, President and CEO of Channel stated: "Market conditions have taken a heavy toll on Channel in the past year; however, under the proposed Transaction Channel shareholders have the opportunity to benefit from West African's ability to realize the value of Tanlouka and also to participate in the exploration and development of its extensive landholdings which are contiguous with Tanlouka, numerous gold prospects and its flagship Sartenga copper-gold project. Importantly, West African is managed by a

team with a long operational history in West Africa, that operates a fleet of cost-effective Company-owned drilling rigs, has a solid track record in financing junior resource companies and has the primary objective of establishing a gold mining operation on the properties as rapidly as possible."

Richard Hyde, Managing Director of West African said: "Channel's Tanlouka Project borders West African's Boulsa Project, and is located within 10 kilometres of advanced exploration targets at our Moktedu gold prospect. We will capitalise on near-term production potential resulting from the consolidation of shallow gold mineralisation at both Moktedu and Tanlouka, by directing our fleet of drilling rigs in the coming months on oxide mineralisation in both areas. Channel shareholders will also benefit from the growth potential of the large-scale Sartenga copper-gold project, which we will continue to diamond drill throughout the current wet-season and into 2014, allowing for resource estimates updates to be completed by the end of 2013 and again in 2014. We look forward to recommencing work at Moktedu and Tanlouka as soon as possible, updating resource estimates by year end and undertaking scoping studies in early 2014.

Transaction Terms

Implementation of the Transaction is subject to a number of conditions including the receipt by Channel of a favourable fairness opinion, approval by shareholders of Channel by way of special 2/3 majority together with approval by a simple majority of minority shareholders, as well as approval by regulatory and judicial authorities including the TSX Venture Exchange, the Australian Stock Exchange and the Supreme Court of British Columbia. Other conditions include negotiation of a definitive agreement which will provide for each party to complete a due diligence review of the other party limited to confirming the party's public record and representations given by it and for customary closing deliveries for a transaction of this nature. The transaction is expected to close in late October.

West African has reserved the right to seek a capped amount of interim equity funding while Channel will not seek any additional financing after the Channel Financing is completed. In conjunction with the Transaction, West African intends to list its Shares on the TSX Venture Exchange.

The Letter Agreement contains binding and non-binding terms. Binding terms include the Channel Financing, confidentiality provisions and a C\$150,000 break fee if Channel accepts a superior proposal from a third party.

Upon completion of the Transaction, the current management team of West African will manage the affairs of Channel, and one nominee from Channel will join the board of directors of West African.

About Channel

[Channel](#) is a mineral exploration company with a portfolio of properties that includes the Tanlouka gold project in Burkina Faso, West Africa and a mineral-bearing brine property in Alberta, Canada. Channel's Tanlouka Project has been its primary focus and the company has advanced it rapidly from initial discovery in 2010 to the publication in 2012 of a maiden resource estimate for the Mankarga 5 target. Channel has set the stage for the continued expansion of Mankarga 5 as well as for potential new discoveries on mineralized targets in the north and central regions of the Tanlouka permit, allowing for significant exploration upside. Existing infrastructure in the area together with that introduced by Channel during its exploration programs will allow for work to proceed quickly to both expand the project as well as to assess the potential for its development.

Further information on Channel is available on the company's website at www.channelresources.ca.

About West African

[West African](#) is an Australian based exploration company involved in the exploration of gold and copper-gold projects in Burkina Faso.

Since its listing on the Australian Securities Exchange in 2010, West African has acquired a large land position in Burkina Faso and identified multiple targets that it has been exploring with its own fleet of seven drilling rigs, substantially reducing drilling costs compared to drilling by contractors.

West African holds mineral tenements covering the Boulsa Gold Project within central Burkina Faso's Manga-Sebba belt. The Boulsa Gold Project, of which West African Resources owns 100 per cent, covers 6,370 square kilometres and 200 kilometres of strike length of prospective early Proterozoic Birimian granite-greenstone terrain, and is located 90 kilometres east of the capital Ouagadougou.

The Sartenga prospect, which is part of the Boulsa project, hosts West African's most significant drilling results to date. West African discovered Sartenga in June 2012 and announced a substantial initial copper, gold, molybdenum and silver Inferred Resource at Sartenga in June 2013, and expects to update this estimate by the end of 2013 and again in 2014.

The Sartenga maiden Inferred Mineral Resource estimate contains 174,000 tonnes of copper, 651,000 ounces of gold, 11,000 tonnes of molybdenum and 2.5 million ounces of silver (Table 1). The maiden Inferred Mineral Resource, independently calculated by Ravensgate Mineral Industry Resource Consultants (Ravensgate), comprises 70 million tonnes at 0.2% copper, 0.3 g/t gold, 166 g/t molybdenum and 1.1 g/t silver (Table 1).

Table 1: Sartenga Inferred Mineral Resource - June 2013
(0.45% Copper Equivalent cut-off grade)

Zone	Tonnes (Mt)	Cu %	Grade			Copper (Kt)	Gold (Koz)	Contained Metal		Copper Eq*
			Au g/t	Mo g/t	Ag g/t			Molybdenum (Kt)	Silver (Koz)	
Oxide	13.5	0.3	0.3	87	1.1	44	112	1	470	-
Trans	4.0	0.3	0.4	65	1.0	11	48	-	124	24
Fresh	52.8	0.2	0.3	194	1.1	119	491	10	1868	292
Total	70.4	0.2	0.3	166	1.1	174	651	11	2,463	316

See notes on copper equivalency and contained metal assumptions below

West African has an experienced management team, including:

Francis Harper LLB (Hons), BEc

Non-Executive Chairman

A founding Director of Blackwood Capital Limited which manages private equity funds primarily for high net worth clients in Australia and the USA. Blackwood has raised more than \$250 million for listed resources companies within the past three years. Prior to forming Blackwood Capital in 2002, Mr. Harper spent 15 years with NM Rothschild within resources corporate finance in the UK, USA and Australia.

Richard Hyde BSc (Geology and Geophysics), MAusIMM

Managing Director

A Geologist with 18 years' experience in the minerals industry and has more than 14 years of experience in West Africa. Mr. Hyde has managed large exploration and development projects in a range of different geological environments in Australia, Africa and Eastern Europe. He has consulted extensively to the mining industry as a Senior Consultant with RSG Global and Coffey Mining based in West Africa and Australia. Mr. Hyde is a founding Director and shareholder of West African Resources and is Member of the Australian Institute of Mining and Metallurgy.

Further information on West African Resources is available on the company's website at www.westafricanresources.com.

Forward Looking Information

This news release contains "forward-looking information" within the meaning of applicable Canadian and Australian securities legislation, including information relating to West African's or Channel's future financial or operating performance may be deemed "forward looking". All statements in this news release, other than statements of historical fact, that address events or developments that West African or Channel expects to occur, are "forward-looking statements". Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "does not expect", "plans", "anticipates", "does not anticipate", "believes", "intends", "estimates", "projects", "potential", "scheduled", "forecast", "budget" and similar expressions, or that events or conditions "will", "would", "may", "could", "should" or "might" occur. All such forward-looking statements are based on the opinions and estimates of the relevant management as of the date such statements are made and are subject to important risk factors

and uncertainties, many of which are beyond West African or Channel's ability to control or predict. Forward-looking statements are necessarily based on estimates and assumptions (including that the Transaction will be completed successfully on the terms agreed upon by the parties and that the business of Channel will be integrated successfully into the West African organization) that are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. In the case of Channel and West African, these facts include their anticipated operations in future periods, planned exploration and development of its properties, and plans related to its business and other matters that may occur in the future. This information relates to analyses and other information that is based on expectations of future performance and planned work programs. Statements concerning mineral resource estimates may also be deemed to constitute forward-looking information to the extent that they involve estimates of the mineralization that will be encountered if a mineral property is developed.

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

West African or Channel's forward-looking information is based on the reasonable beliefs, expectations and opinions of their respective management on the date the statements are made and neither West African or Channel assumes any obligation to update forward looking information if circumstances or management's beliefs, expectations or opinions change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking information. For a complete discussion with respect to Channel, please refer to Channel's financial statements and related MD&A, all of which are filed on SEDAR at www.sedar.com.

None of the securities anticipated to be issued under the Transaction have been or will be registered under the Securities Act of 1933, as amended, or any state securities laws, and such securities are anticipated to be issued in the United States pursuant to exemptions from such registration requirements. This press release shall not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction where such an offer or sale would be unlawful.

Information in this announcement that relates to West African's exploration results is based on information compiled by Mr Richard Hyde, a Director, who is a Member of The Australian Institute of Mining and Metallurgy. 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 as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Hyde is also a Qualified Person as defined by the Canadian National Instrument 43-101 guidelines and takes responsibility for the technical aspects of this report. Mr Hyde consents to the inclusion in this announcement of the statements based on his information in the form and context in which they appear. West African will be filing an NI 43-101 compliant report as part of the Transaction.

The information in this announcement that relates to Mineral Resources for the Sartenga Project is based on information compiled by Mr Don Maclean. Mr Don Maclean is a consultant of Ravensgate Mineral Industry Consultants, an independent consultancy group specialising in mineral resource estimation, evaluation and exploration. Mr Don Maclean is a Member of the Australian Institute of Geoscientists. He 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 as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Don Maclean consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The copper equivalent calculation represents total metal value for each metal, summed and expressed in

equivalent percent copper. No assumptions have been made for potential metal recoveries. It is the Company's opinion that metals considered here have a reasonable potential to be recovered as evidenced in similar Au-Cu-Mo-Ag related mineralisation elsewhere in the World. Preliminary metallurgical test work, while not definitive, has returned high recoveries for transitional and sulphide material (>90%) for copper and gold, other contributing metals (Mo, Ag) are expected to yield recoveries in a similar range. In oxide preliminary test work indicates >90% recovery for gold. The Company is investigating the potential to recover copper from oxide material, and for the moment has excluded from reporting any contained equivalent copper metal equivalent metal tonnages in oxide. Based on these assumptions it is West African's opinion that copper equivalent values are appropriate to use to assist in reporting exploration results and in the resource modelling and reporting of the Sartenga deposit.

Copper equivalent conversion factors and long-term price assumptions used are as follows:

Copper equivalent formula = $\text{Cu}\% + \text{Au g/t} \times 0.70 + \text{Mo g/t} \times 0.0006 + \text{Ag} \times 0.016$
Price Assumptions: Au (US\$1300/oz) Cu (US\$2.70/lb) Mo (US\$15/lb) Ag (US\$30/oz)

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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