

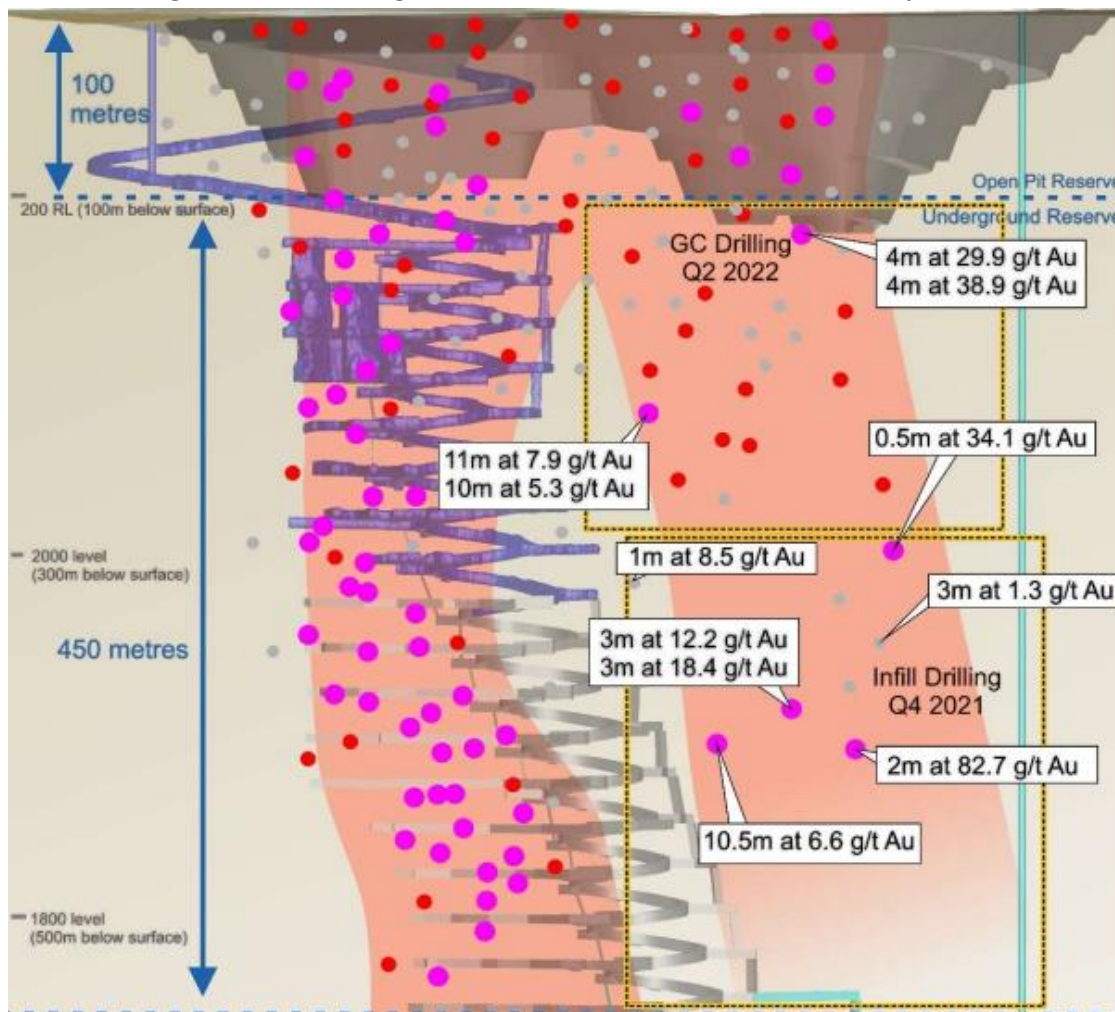
Ticker: WAF AU **Net cash:** (US\$84m) **Project:** Sanbrado
Market cap: A\$918m **Price:** A\$1.04/sh **Country:** Burkina Faso
RECOMMEND. (unc): BUY **TARGET (unc):** A\$1.85/sh **RISK RATING:** HIGH

We are extremely positive on WAF simply on an average SCPe FCF yield of 26% for CY21-23 combined with the stock at 0.54xNAV, both at spot US\$1,790/oz. That NAV **excludes** M1S below 850m (1.3Moz @ 9g/t shallower than that), any M5 UG ore (8m @ 17g/t), and lifting Toega reserve conversion (only 570koz of 1.3Moz converted). And that is before regional exploration, and from CY22, M&A opportunities once debt is repaid. Success begets success in this asset-rich terrane, and today is a pleasingly unexpected surprise reflecting just that. The second M1S shoot pulled a pit down but not an UG, but with access from the decline and plenty of surplus capital now allowing UG drilling, it looks likely that M1S will have a few more cherries to come near-surface, which ultimately should let the reserve-replacement begin, a trend we expect for years to come. We maintain **our BUY rating and 0.9xNAV_{5%-1850} PT of A\$1.85/sh.**

M1 South new shoot shows UG potential with 2m @ 83g/t and 10m @ 7g/t under prior drilling

Underground drilling from the main M1S shoot into the outside-mine-plan second shoot has hit 2m @ 83g/t, 10.5m @ 6.6g/t. This drilling is well under the near-surface drilling that pulled a pit down on the shoot, but didn't result in an UG reserve or mining inventory. Shallower prior drilling hit 4m @ 30g/t and 11m @ 8g/t on the same shoot closer to surface. Follow-up resource and mine-planning drilling will continue to 2Q22 when further access is given by additional development (Figure 1)

Figure 1. New drilling in new M1S shoot to NW of main development



Source: West African

Why we like West African

1. 26% average FCF yield in CY21-23 at US\$1790/oz
2. Stock trades at ~0.6xNAV excluding multiple ounce sources:
3. M1S future reserve conversion >850m deep (1.3Moz @ 9g/t <850m)
4. M5 UG future conversion around historic 8m @ 17g/t
5. Toega future reserve conversion as only 570koz of 1.3Moz converted to mine plan
6. Regional exploration
7. Regional M&A post CY22 SCPe debt early repayment

Catalysts

- 25 km / A\$12.5m RC-diamond drilling CY22
- 2Q22: M1S NW shoot resource and mine plan drilling
- >CY22: M5 UG resource drilling
- CY24: Switch from M1S to Toega pit mining

Research

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Ticker: WAF AU	Price / mkt cap: A\$104c/sh, A\$918m	Group P/NAV today: 0.50x	Asset: Sanbrado
Author: Brock Salier	Rec/O.9xNAV PT: BUY, A\$1.85/sh	1xNAV1Q21 FF FD: A\$2.08/sh	Country: Burkina Faso

Commodity price	CY19E	CY20E	CY21E	CY22E	CY23E
Gold price	1,850	1,767	1,801	1,818	1,850

Group-level SOTP valuation				
	US\$m	O/ship	NAVx	A\$/sh*
NPV Sanbrado 3Q21	1,480	90%	1.0x	2.25
Central and finance cost	(30.6)	-	1.0x	(0.05)
Net cash 2Q21	(84.0)	-	1.0x	(0.13)
Cash from options	1.2	-	1.0x	0.00
1xNAV5% 2Q21 US\$1850/oz	1,366			2.08

Asset value: 1xNPV project today (US\$m, ungeared)*					
Group NAV (US\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	969	1,057	1,145	1,233	1,318
7% discount	1,056	1,152	1,247	1,343	1,436
5% discount	1,157	1,262	1,366	1,471	1,573

Group 1xNAV (A\$/sh)					
	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	1.47	1.61	1.74	1.87	2.00
7% discount	1.61	1.75	1.90	2.04	2.18
5% discount	1.76	1.92	2.08	2.23	2.39

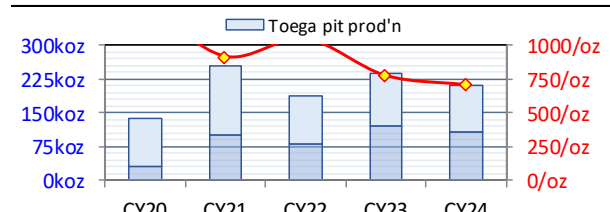
*Project level NPV, excl finance costs and central SGA, discounted to build start

Group NAV over time					
	Sep 21	Sep 22	Sep 23	Sep 24	Sep 25
Sanbrado (US\$m)	1,449	1,421	1,353	1,261	1,147
Net cash (US\$m)	(84.0)	36.2	169.1	339.9	464.8
Options cash (US\$m)	1.2	1.2	1.2	1.2	1.2
NAV (US\$m)	1,366	1,459	1,524	1,602	1,613
1xNAV5%/sh FF FD (A\$)	2.08	2.22	2.31	2.43	2.45

1.0xNAV/sh @ 1Q21 in prod'n (US\$m, geared)^					
2Q22 NAV (A\$m)					
	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	1,078	1,173	1,269	1,364	1,458
7% discount	1,153	1,255	1,357	1,460	1,560
5% discount	1,239	1,349	1,459	1,568	1,676

^Project NPV less central SG&A & finance cost, plus net cash at the time

Production					
	CY20	CY21	CY22	CY23	CY24
UG prod'n (koz)	30	101	80	120	108
M5 pit prod'n (koz)	106	152	106	117	104
Toega pit prod'n (koz)	-	-	-	-	-
Total prod'n (000oz)	136	253	186	237	212
Guidance CY20:	250-280koz @ US\$720-800/oz AISC				
AISC cost (US\$/oz)	1,316	919	1,048	779	710
C3 cost (US\$/oz)	1,334	1,159	1,350	960	869



Source: SCP estimates

Resource	Au (koz)	Au (g/t)	Inv'try: Au (koz)	Au (g/t)
Open pits	1,960koz	1.3g/t	Pit: 1,438koz	1.7g/t
Underground	850koz	14.8g/t	UG: 1,310koz	9.1g/t
Total	5,143koz	2.0g/t	Total: 2,748koz	2.7g/t

Share data					
	CY19E	CY20E	CY21E	CY22E	CY23E
Basic shares (m)	883.0				
Spot share price (A\$/sh)					A\$1.04
FF FD with options (m)	895.1				

Ratio analysis					
	CY19E	CY20E	CY21E	CY22E	CY23E
Shares on issue (m)	871.2	873.6	895	895	895
EPS (US\$/sh)	(0.01)	0.08	0.15	0.10	0.16
CFPS before w/c (US\$/sh)	(0.01)	0.12	0.23	0.17	0.21
EV (US\$m)	441.9	420.9	499.8	519.3	440.9
FCF yield (%)	-	16%	31%	22%	28%
PER (x)	-	9.1x	5.1x	7.8x	4.8x
P/CF (x)	-	6.3x	3.3x	4.6x	3.6x
EV/EBITDA (x)	-	3.6x	1.9x	2.8x	1.8x

Income statement attrib.					
	CY19E	CY20E	CY21E	CY22E	CY23E
Revenue, attrib (US\$m)	0.5	225.5	452.6	337.1	435.7
COGS, attrib (US\$m)	-	87.8	149.8	118.2	134.9
D&A, attrib (US\$m)	0.1	17.5	60.3	56.2	43.1

Gross profit (US\$m)					
	CY19E	CY20E	CY21E	CY22E	CY23E
Admin (US\$m)	2.4	4.7	5.1	4.8	4.8
Finance cost (US\$m)	4.3	14.6	14.2	5.3	1.7
Expln, royalty, min. (US\$m)	1.5	16.6	34.5	29.0	45.3
Tax (US\$m)	-	11.1	54.0	36.4	61.9
Net income (US\$m)	(7.8)	73.2	134.6	87.3	144.0

Cash flow, attrib.					
	CY19E	CY20E	CY21E	CY22E	CY23E
EBITDA (US\$m)	(3.4)	116.4	263.1	185.2	250.7
Less working cap. (US\$m)	1.0	18.7	(22.4)	(6.5)	(4.7)
Less finance costs (US\$m)	0.4	1.0	0.4	-	-
Less tax paid (US\$m)	-	(11.1)	(54.0)	(36.4)	(61.9)
Cash flow ops (US\$m)	(2.0)	125.1	187.1	142.2	184.2
PP&E - build (US\$m)	(138.1)	(59.1)	(60.5)	(63.6)	(11.2)
Capitalised interest (US\$m)	(6.1)	(5.1)	-	-	-
Cash flow inv. (US\$m)	(144.3)	(64.2)	(60.5)	(63.6)	(11.2)

Cash flow fin. (US\$m)					
	CY19E	CY20E	CY21E	CY22E	CY23E
Share issue (US\$m)	0.7	0.9	0.4	-	-
Debt draw (repay) (US\$m)	159.3	(15.9)	(102.2)	(51.7)	(48.2)
Cash flow fin. (US\$m)	160.0	(15.1)	(101.8)	(51.7)	(48.2)
Net change in cash (US\$m)	13.7	45.8	24.8	26.9	124.9

Balance sheet					
	CY19E	CY20E	CY21E	CY22E	CY23E
Cash (US\$m)	58.2	73.1	98.6	125.5	250.4
AR + inv + other (US\$m)	74.2	57.4	65.9	60.1	71.4
PPE (US\$m)	91.3	277.7	276.4	283.8	251.8
Total assets (US\$m)	223.7	408.2	440.9	469.4	573.7
Debt (US\$m)	(166.2)	(174.1)	(86.1)	(39.6)	6.8
Accnts payable (US\$m)	(8.7)	(65.6)	(51.7)	(39.3)	(46.0)
Total liabilities (US\$m)	(174.9)	(239.7)	(137.7)	(78.9)	(39.2)
S/holders equity (US\$m)	114.2	127.1	127.1	127.1	127.1
Retained earnings (US\$m)	(71.0)	(3.0)	131.7	218.9	363.0
Liabilities+equity (US\$m)	223.7	408.2	440.9	469.4	573.7

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SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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