

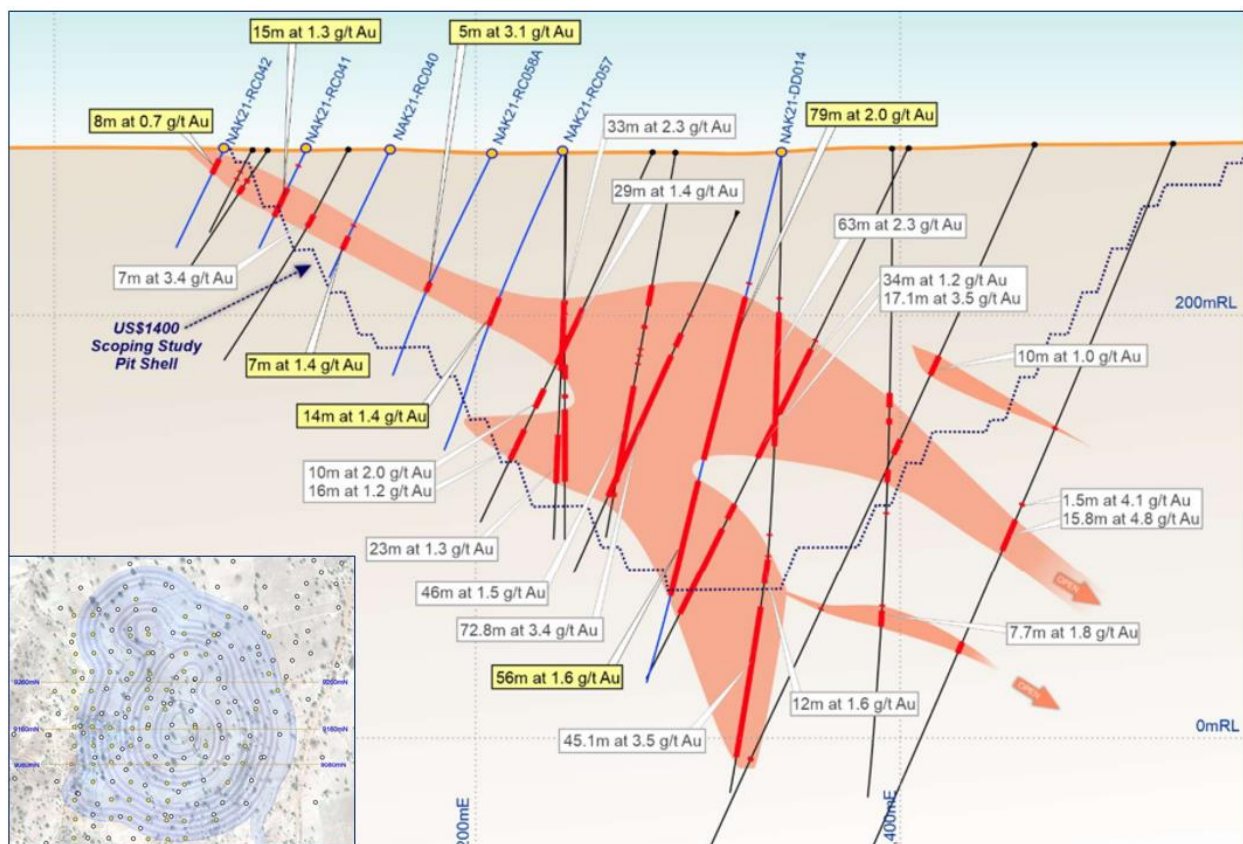
Ticker: WAF AU **Net cash:** (A\$88m) **Project:** Sanbrado
Market cap: A\$901m **Price:** A\$1.02/sh **Country:** Burkina Faso
RECOMMEND. (unc): BUY **TARGET** (unc): A\$1.85/sh **RISK RATING:** HIGH

Toega’s current 1.3Moz @ 1.9g/t resource sees an inventory of only 570kz @ 1.9g/t. As such, hits released today such a 56m @ 1.6g/t going through the pit floor, as well as previously released 45m @ 3.5g/t and 48m @ 1.5g/t immediately below the pit floor point to iterative additions. In reality, we are confident that additional laybacks will grow this resource in due course. March guidance put Toega into the mine plan in 2024, after DFS, permits and road construction. With LOM grades about M1 South pit currently being produced, we see potential to speed this switch over for a second iterative win. Ultimately extensions to the M1S shoot (6m @ 21g/t 400m below reserves), simple 20-30% FCF yield in coming 3Y, and exploration / M&A that this could fund, remains the main driver here. Iterative wins such as pit shell expansions and potential schedule acceleration at Toega are all adding up now. With the stock at 0.50xNAV_{5%-1850}, we maintain our **BUY rating and 0.9xNAV_{5%-1850} PT of A\$1.85/sh.**

Remember Toega? 79m @ 2g/t and 22m @ 5g/t kicks of definition drilling, reserve and FS to follow

Highlights from resource definition drilling at satellite Toega include 79m @ 2g/t, 56m @ 1.6g/t, in the same hole. Other highlights range from 12-42m @ 1.3-6.1g/t. A FS, update resource and maiden reserve are all targeted for 1Q22. The ESIA is to be submitted in 4Q21.

Figure 1. Cross section showing headline 79m @ 2g/t and 56m @ 1.6g/t in same hole



Source: West African

Why we like West African

1. 27% average FCF yield in CY21-23 at US\$1790/oz
2. Stock trades at 0.5xNAV 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 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\$102c/sh, A\$901m	Group P/NAV today: 0.49x	Asset: Sanbrado
Author: Brock Salier	Rec/0.9xNAV PT: BUY, A\$1.85/sh	1xNAV_{1Q21} FF FD: A\$2.07/sh	Country: Burkina Faso

Commodity price	CY19A	CY20A	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	2.24	
Central and finance cost	(30.6)	-	1.0x	(0.05)	
Net cash 2Q21	(85.4)	-	1.0x	(0.13)	
Cash from options	1.2	-	1.0x	0.00	
1xNAV5% 2Q21 US\$1850/oz	1,365			2.07	

Asset value: 1xNPV project today (US\$m, ungeared)*					
Group NAV (US\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	968	1,056	1,144	1,231	1,317
7% discount	1,055	1,151	1,246	1,342	1,435
5% discount	1,156	1,260	1,365	1,469	1,572

Group 1xNAV (A\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	1.46	1.59	1.72	1.85	1.98
7% discount	1.59	1.73	1.87	2.02	2.16
5% discount	1.74	1.90	2.05	2.21	2.36

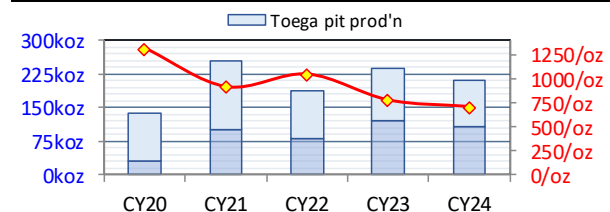
*Project level NPV, excl finance costs and central SGA, discounted to build start

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)	(85.4)	34.9	167.7	338.5	463.5
Options cash (US\$m)	1.2	1.2	1.2	1.2	1.2
NAV (US\$m)	1,365	1,457	1,522	1,601	1,612
1xNAV5%/sh FF FD (A\$,	2.07	2.21	2.31	2.43	2.44

1.0xNAV/sh @ 1Q21 in prod'n (US\$m, geared)^					
2Q22 NAV (A\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	1,077	1,172	1,268	1,363	1,457
7% discount	1,152	1,254	1,356	1,458	1,558
5% discount	1,238	1,348	1,457	1,567	1,675

^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	917	1,048	779	710
C3 cost (US\$/oz)	1,334	1,156	1,350	961	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			
Basic shares (m)	883.3	Spot share price (A\$/sh)	A\$1.02
FF FD with options (m)	895.3		

Ratio analysis	CY19A	CY20A	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	0.24	0.17	0.21
EV (US\$m)	430.5	409.5	489.7	509.2	430.7
FCF yield (%)	-	16%	31%	22%	28%
PER (x)	-	9.0x	4.9x	7.7x	4.7x
P/CF (x)	-	6.2x	3.2x	4.5x	3.6x
EV/EBITDA (x)	-	3.5x	1.8x	2.7x	1.7x

Income statement attrib.	CY19A	CY20A	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	56.3	43.2

Gross profit (US\$m)	CY19A	CY20A	CY21E	CY22E	CY23E
Admin (US\$m)	2.4	4.7	4.5	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	33.5	29.0	45.3
Tax (US\$m)	-	11.1	53.9	36.4	61.8

Net income (US\$m)	CY19A	CY20A	CY21E	CY22E	CY23E
Net income (US\$m)	(7.8)	73.2	136.3	87.2	144.0

Cash flow, attrib.	CY19A	CY20A	CY21E	CY22E	CY23E
EBITDA (US\$m)	(3.4)	116.4	264.7	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)	(53.9)	(36.4)	(61.8)
Cash flow ops (US\$m)	(2.0)	125.1	188.8	142.3	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)
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	26.5	26.9	124.9

Balance sheet	CY19A	CY20A	CY21E	CY22E	CY23E
Cash (US\$m)	58.2	73.1	97.2	124.2	249.0
AR + inv + other (US\$m)	74.2	57.4	65.9	60.1	71.4
PPE (US\$m)	91.3	277.7	277.1	284.4	252.4
Total assets (US\$m)	223.7	408.2	440.3	468.7	572.9
Debt (US\$m)	(166.2)	(174.1)	(86.1)	(39.6)	6.8
Accts 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	127.5	127.5	127.5
Retained earnings (US\$m)	(71.0)	(3.0)	123.4	210.7	354.7
Liabilities+equity (US\$m)	223.7	408.2	440.3	468.7	572.9

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Summary of Recommendations as of September 2021	
BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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