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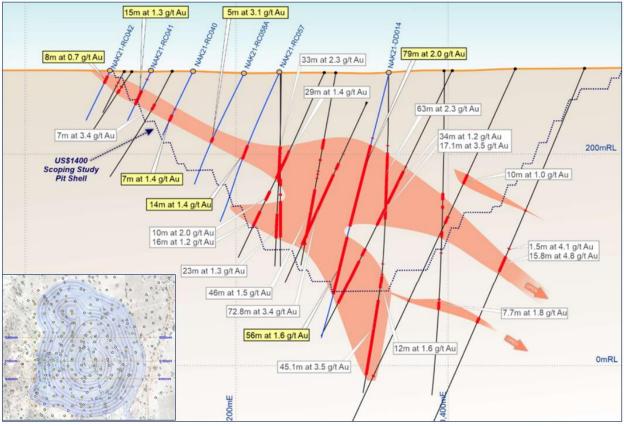
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Ticker: WAF AU	Net cash: (A\$88m)	Project: Sanbrado
Market cap: A\$901m	Price: A\$1.02/sh	Country: Burkina Faso
RECOMMEND. (unc): BUY	TARGET (unc): A\$1.85/sh	RISK RATING: HIGH

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.





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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08 September 2021

Ticker 1004 200 Price (Prival Price (Prival Prival P												
Commodity price CY19A CY20A CY21E CY22E CY22E CY22E CY22E CY22E CY22E CY22E CY22E CY2E CY2E <t< td=""><td>Ticker: WAF AU</td><td></td><td></td><td></td><td></td><td></td><td>Group P/NAV today:</td><td>0.49x</td><td></td><td>Asset:</td><td></td><td></td></t<>	Ticker: WAF AU						Group P/NAV today:	0.49x		Asset:		
Cond Cond 1,870 1,870 1,870 1,870 1,970 1	Author: Brock Salier	Rec/0.9x	NAV PT:	BUY, A\$1	.85/sh		1xNAV1 _{Q21} FF FD:	A\$2.07/sh	1	Country:	Burkina F	aso
Group-Level SOTP valuation USS Orbit N/W AS/m AS/m AS/m AS/m AS/m AS/m AS/m AS/m C/20/m C/21/m	Commodity price	CY19A	CY20A	CY21E	CY22E	CY23E	Resource	Au (koz)	Au (g/t)	Invt'ry:	Au (koz)	Au (g/t)
US\$m O/ship NAV/ A 5/shi Tetal 5,143koz 2,0g/t Tetal 5,143koz 2,0g/t Tetal 2,7g/t NPV Sambrado 30,21 1,460 90,1<0,x	Gold price	1,850	1,767	1,801	1,818	1,850	Open pits	1,960koz	1.3g/t	Pit:	1,438koz	1.7g/t
USA O'ship MAVx A for Total 5,14/alvaz 2.0g/t Total: 2.7g/t NPV Sarbrado 30,21 1,460 90 1.0x 2.24 Share data Share data Spot Share price (M,S/Sh) A\$102 Net cash form options 1.2 - 1.0x 0.00 Basic shares on issue (m) 671.2 673.6 895 695 695 Statewort options 1.265 1.365 1.342 1.433 FF Di With options (m) 0.00 0.01 0.08 0.15 0.10 0.12 0.24 0.17 0.21 0.24 0.17 0.21 2.24 1.28 1.38 1.38 1.38 1.38 1.38 1.38 1.38 1.38 1.38 1.38 1.38 1.38 1.38	Group-level SOTP val	uation					Underground	850koz	14.8g/t	UG:	1,310koz	9.1g/t
Central and finance cost (30.6) - 1.0x (0.05) Basic shares (m) 883.3 Spott share price (Ås/s) ////////////////////////////////////	·		US\$m	0/ship	NAVx	A\$/sh*		5,143koz	2.0g/t	Total:	2,748koz	2.7g/t
Net cash 2Q21 (B5.4) - 1.0x (0.13) FEF 0 with options (m) 29.3 Ausnux95: 2Q21 US\$1820/cz 1.2 - 1.0x 0.00 Fato analysis (Y12) CY21E CY22E CY22E </td <td>NPV Sanbrado 3Q21</td> <td></td> <td>1,480</td> <td>90%</td> <td>1.0x</td> <td>2.24</td> <td>Share data</td> <td></td> <td>0</td> <td></td> <td></td> <td>U</td>	NPV Sanbrado 3Q21		1,480	90%	1.0x	2.24	Share data		0			U
Net cash 2Q21 (B5.4) - 1.0x (0.13) FEF 0 with options (m) 29.3 Ausnux95: 2Q21 US\$1820/cz 1.2 - 1.0x 0.00 Fato analysis (Y12) CY21E CY22E CY22E </td <td>Central and finance co</td> <td>st</td> <td>(30.6)</td> <td>-</td> <td>1.0x</td> <td>(0.05)</td> <td>Basic shares (m)</td> <td>883.3</td> <td>Spo</td> <td>t share pri</td> <td>ce (A\$/sh)</td> <td>A\$1.02</td>	Central and finance co	st	(30.6)	-	1.0x	(0.05)	Basic shares (m)	883.3	Spo	t share pri	ce (A\$/sh)	A\$1.02
DNAVS5: 2021 US\$1850/cz 1,365 2.07 Asset value: MUP/ project today (US\$m, unquerted)' Shares on issue (m) 871.2 873.6 895 895 Asset value: MUP/ project today (US\$m, unquerted)' CPS before: //LSS/sh) (0.01) 0.01 0.02 0.10 0.12 0.24 0.17 0.21 9: discount 1968 1.055 1.154 1.345 1.469 1.57 2.85 4.93 7.72 4.93 7.72 4.73 2.72 2.85 4.93 7.72 4.72 7.74 4.75 4.77 4.7 7.74 4.72 7.72 4.77 7.74 7.77 4.7 7.72 4.77 7.74 7.77 7.77 7.77 7.72 7.72 4.77 7.77 <td>Net cash 2Q21</td> <td></td> <td>(85.4)</td> <td>-</td> <td>1.0x</td> <td>(0.13)</td> <td>FF FD with options (m)</td> <td>895.3</td> <td></td> <td>·</td> <td></td> <td></td>	Net cash 2Q21		(85.4)	-	1.0x	(0.13)	FF FD with options (m)	895.3		·		
DNAVS5: 2021 US\$1850/cz 1,365 2.07 Asset value: MUP/ project today (US\$m, unquerted)' Shares on issue (m) 871.2 873.6 895 895 Asset value: MUP/ project today (US\$m, unquerted)' CPS before: //LSS/sh) (0.01) 0.01 0.02 0.10 0.12 0.24 0.17 0.21 9: discount 1968 1.055 1.154 1.345 1.469 1.57 2.85 4.93 7.72 4.93 7.72 4.73 2.72 2.85 4.93 7.72 4.72 7.74 4.75 4.77 4.7 7.74 4.72 7.72 4.77 7.74 7.77 4.7 7.72 4.77 7.74 7.77 7.77 7.77 7.72 7.72 4.77 7.77 <td>Cash from options</td> <td></td> <td>1.2</td> <td>-</td> <td>1.0x</td> <td>0.00</td> <td>Ratio analysis</td> <td>CY19A</td> <td>CY20A</td> <td>CY21E</td> <td>CY22E</td> <td>CY23E</td>	Cash from options		1.2	-	1.0x	0.00	Ratio analysis	CY19A	CY20A	CY21E	CY22E	CY23E
Asset value: 1xHPV project today (US5m, ungeared)* EPS (US5/sh) (0.01) 0.06 0.15 0.10 0.16 Group MAU (US5m) 1650oz 51750oz 51850oz 51950oz 520500z CPF bis before w/c (US5/sh) (0.01) 0.06 0.15 0.10 0.16 Sh discount 1.055 1.151 1.266 1.342 1.432 1.437 CPF bis before w/c (US5/sh) 0.011 0.068 0.15 0.10 0.16 Ortrop MAU (US5m) 1.151 1.266 1.342 1.342 1.434 1.434 1.434 1.342 1.434 1.434 1.434 1.342 1.434 1.434 1.342 1.434 1.342 1.434 1.342 1.434 1.342 1.434 1.342 1.434 1.342 1.441 1.335 1.261 1.167 CY19A CY20A CY21E CY22E CY23E CY2	1xNAV5% 2Q21 US\$18	50/oz	1,365]		2.07			873.6	895	895	
Group NAV (US\$m) \$16500z \$17500z \$19500z \$19500z \$19500z \$19500z \$1050 1.06 0.01 0.12 0.24 0.17 0.21 Tv. discount 1005 1,151 1.24 1.342 1.347 1.75 1.75 1.75 1.75 1.260 1.365 1.660 1.77 2.77 4.7x Group IxMAV (A5/en) \$16500z \$17500z \$18500z \$19500z \$2050z 2.16 1.78 2.77 4.7x Yd. discount 1.46 1.99 1.72 1.85 1.98 1.72 1.85 1.86 1.77 3.85 3.8x 2.77 1.7x Group NAV overtime 5.92 S.92 S.	Asset value: 1xNPV p	<i>roject</i> toda	v (US\$m,	ungeared)*			(0.01)	0.08	0.15	0.10	0.16
9 discount 968 1,056 1,144 1,231 1,317 EV (USSm) 4,30.5 40.95 489.7 509.2 430.7 7h discount 1,055 1,151 1,266 1,362 1,464 1,224 1,455 1,856 1,866 1,272 1,85 1,866 1,972 2,87 1,78 1,87 2,72 4,7x 1,7x 1,87 1,87 1,88 1,88 2,7x 4,7x 4,7x 4,7x 1,7x 1,87 1,87 1,27 1,20 2,16 1,88 2,7x 1,7x 1,87 1,87 1,82 2,7x 1,7x 1,7x 1,7x 1,72 1,87 2,02 2,16 1,116 1,118 1						\$2050oz						
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	0koz						Retained earnings (US\$m)	(71.0)	(3.0)	123.4	210.7	354.7
			CY22	CY23	CY24		Liabilities+equity (US\$m)	223.7	408.2	440.3	468.7	572.9

Source: SCP estimates

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NOT RATED ((N/R): The stock is not currently rated

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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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