

**Ticker:** WAF AU

**3Q22 cash:** A\$171m

**Project:** Sanbrado / Kiaka

**Market cap:** A\$1.20b

**Price:** A\$1.17/sh

**Country:** Burkina Faso

**REC. (unc):** BUY

**TARGET (up 5c):** A\$1.50/sh

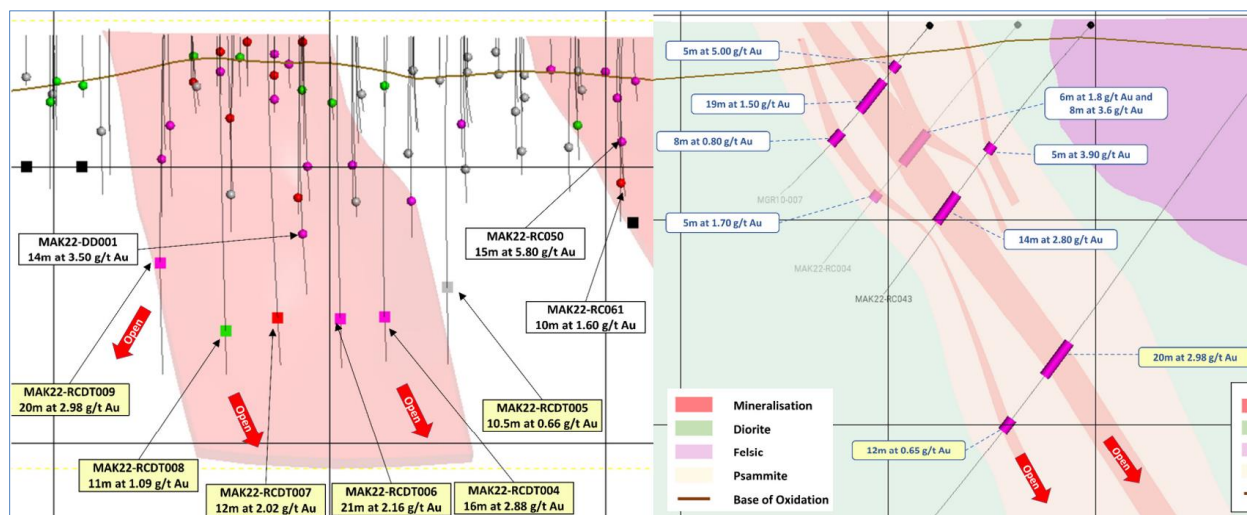
**RISK RATING (unc):** HIGH

This satellite has caught us by surprise, with WAF moving quickly to define a 700m strike system in just a few months, hosting gold in a classic 'dilatant jog' as the main volcanic-hosted break wraps around a nearby intrusive. Most prior drilling was shallow, hence today sees the first fence of deeper holes around 200m below surface on the main 200m-strike shoot. The average of today's hits comes to 16m @ 2.3g/t; over 200m strike (closed to south, open to north) this could support 55koz / 100m vertical. A second shoot is emerging with an average 11m @ 3.7g/t for 23koz / 100m, albeit only based on three holes, with a single hole into a third shoot showing 4.4m @ 17g/t. Adding the two shoots together to 200-250m implies 160-200koz potential. With grades some 50% higher than M5 (1.1g/t) and in line with Toega, this is ostensibly 'useful but not game changing'. However, we model ~US\$20m of pre-strip at Toega ahead of Kiaka max draw down in late 2025. Thus, if MV3 can supply even 120koz reserves, it could slip in ahead of Toega and drop max draw down by that amount a very useful win. Consequently, we'd expect a mining-licence application to be prioritised now. We already have US\$50m nominal upside for exploration, validated today, so rolling our model forward we lift the short-term gold price, and **maintain our BUY rating but lift our PT from A\$1.45/sh to A\$1.50/sh**. This includes Kiaka at 0.7xNAV (3.4Moz @ 1.0g/t modelled inventory) and Sanbrado at 0.8xNAV (2.5Moz @ 2.4g/t) and US\$50m nominal for Sanbrado depth-extensions and regional exploration. We leave our production forecast unchanged, which at 229koz vs. 220-240koz guidance implies 4Q22 would see flat production of 49koz. For perspective, we estimate a mid-30s FCF yield once Kiaka comes on line, or more simply, more gold, more cash, and more share price if executed well.

### 20m @ 3g/t at new MV3 satellite could support SCPe 160-200koz to push back Toega

Drill results from the MV3 satellite target, 6km from the Sanbrado mill, returned 20m @ 3.0g/t, 16m @ 2.9g/t, 21m @ 2.2g/t and 12m @ 2g/tm from 200-260m down hole, under prior shallow drilling. A southern root now extends over 200m strike, with a maiden MRE targeted for the current quarter.

**Figure 1. (A) Long and (B) cross sections showing today's drilling on core 200m shoot at MV3 satellite**



Source: West African Resources Ltd

### Why we like West African

1. Stock trades at 0.71xNAV, with >30% FCF yield from 2H25 once Kiaka in production
2. Production set to double in coming 3Y to ~30% FCF yields once Kiaka in production
3. M1S reserve growth >850m deep (current 1.3Moz @ 9g/t is <850m), M5 UG potential
4. Toega future reserve conversion as only 580koz of 1.3Moz converted to mine plan

5. Regional exploration gains momentum with 13m @ 6.5g/t 6km from Sanbrado

## Catalysts

- 2H23: M5 and M1S UG resource drilling
- 2H23: Regional exploration drilling
- 4Q22 / CY25: Kiaka construction / production
- CY24: Switch from M1S to Toega pit mining

## Research

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<b>Ticker:</b> WAF AU	<b>Price / mkt cap:</b> A\$117c/sh, A\$1197m	<b>Group P/NAV today:</b> 0.79x	<b>Asset:</b> Sanbrado
<b>Author:</b> B Salier / E Magdzinski	<b>Rec/0.9xNAV PT:</b> BUY, A\$1.5/sh	<b>1xNAV3<sub>Q22</sub> FF FD:</b> A\$1.48/sh	<b>Country:</b> Burkina Faso

Group-level SOTP valuation					
	A\$	US\$m	O/ship	NAVx	A\$/sh*
NPV Sanbrado 1Q23	1,416	972	90%	0.80x	1.10
NPV Kiaka 1Q23	1,035	710	90%	0.70x	0.70
Central, fin. & aq'n cost	(133)	(91)	-	1.0x	(0.13)
Cash 3Q22	171	118	-	1.0x	0.17
Cash from options	0.5	0.3	-	1.0x	0.00
Nominal exploration	73	50.0	-	1.0x	0.07
<b>1xNAV5% US\$1700/oz</b>	<b>2,562</b>	<b>1,758</b>			<b>PT: 1.48</b>

Asset value: 1xNPV project today (US\$m, ungeared)*					
Group NAV (US\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	971	1,160	1,345	1,527	1,710
7% discount	1,098	1,312	1,521	1,727	1,935
5% discount	1,254	1,499	<b>1,739</b>	1,975	2,213
Group 1xNAV (A\$/sh)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	0.88	1.03	1.17	1.32	1.46
7% discount	0.98	1.14	1.30	1.46	1.62
5% discount	1.09	1.28	<b>1.46</b>	1.64	1.83

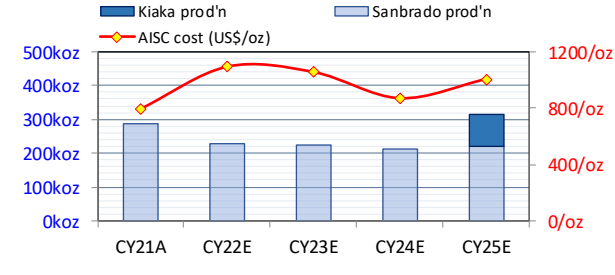
\*Project level NPV, excl finance costs and central SGA, discounted to build start

Group NAV over time	Mar 23	Mar 24	Mar 25	Mar 26	Mar 27
Sanbrado (US\$m)	972	932	847	751	662
Kiaka (US\$m)	710	846	1,088	1,297	1,205
Central, fin. & aq'n cost	(102)	(101)	(86)	(48)	(35)
Net cash (US\$m)	118	72	13	(23)	223
Options cash (US\$m)	0.3	0.3	0.3	0.3	0.3
Nominal explo (US\$m)	50	50	50	50	50
1xNAV (US\$m)	<b>1,748</b>	1,799	1,912	2,027	2,106
1xNAV5%/sh FF FD (A\$/sh)	<b>2.46</b>	2.54	2.70	2.86	2.97

1.0xNAV/sh (US\$m, geared)^					
NAV (A\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	957	1,145	1,328	1,508	1,691
7% discount	1,086	1,299	1,507	1,711	1,918
5% discount	1,244	1,489	<b>1,727</b>	1,962	2,198
NAV (A\$/sh)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	1.35	1.62	1.88	2.13	2.39
7% discount	1.53	1.84	2.13	2.42	2.71
5% discount	1.76	2.10	<b>2.44</b>	2.77	3.11

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

Production	CY21A	CY22E	CY23E	CY24E	CY25E
Sanbrado prod'n (koz)	289	229	225	213	220
Kiaka prod'n (koz)	-	-	-	-	96
<b>Total prod'n (000oz)</b>	<b>289</b>	<b>229</b>	<b>225</b>	<b>213</b>	<b>316</b>
Guidance CY22:	220-240koz @ US\$1040-1100/oz AISC				
AISC cost (US\$/oz)	796	1,093	1,054	869	1,004



Source: SCP estimates

Resource	Au (koz)	Au (g/t)	Inv'try:	Au (koz)	Au (g/t)
Sanbrado/Toega pits	3,340koz	1.4g/t	Pit:	1,149koz	1.6g/t
Sanbrado UG	1,580koz	10.5g/t	UG:	1,219koz	7.7g/t
<b>Sanbrado total</b>	<b>4,920koz</b>	<b>1.9g/t</b>	<b>Total:</b>	<b>2,368koz</b>	<b>2.7g/t</b>
Kiaka pits	7,700koz	0.9g/t	Pit:	4,520koz	0.9g/t
<b>Global</b>	<b>12,620koz</b>	<b>1.1g/t</b>	<b>Total:</b>	<b>6,888koz</b>	<b>1.2g/t</b>

Share data				
	Basic shares (m)	FD with options (m)	Spot share price (A\$/sh)	A\$1.17
	1,022.8	1,033.2		

Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E
Gold price	1,803	1,797	1,837	1,753	1,700
Ratio analysis	CY21A	CY22E	CY23E	CY24E	CY25E
Shares on issue (m)	1,020	1,023	1,023	1,023	1,023
EPS (US\$/sh)	0.21	0.05	0.12	0.10	0.12
CFPS before w/c (US\$/sh)	0.22	0.01	(0.02)	(0.08)	0.09
EV (US\$m)	685.0	699.9	749.3	788.0	654.0
D&A, attrib (US\$m)	28%	1%	-	-	12%
PER (x)	3.9x	16.7x	6.7x	8.2x	6.6x
P/CF (x)	3.6x	111.1x	-	-	8.6x
EV/EBITDA (x)	2.0x	3.2x	3.2x	3.8x	2.4x

Income statement attrib.	CY21A	CY22E	CY23E	CY24E	CY25E
Revenue, attrib (US\$m)	531.1	410.6	411.9	371.2	534.9
COGS, attrib (US\$m)	159.1	152.7	138.4	120.8	208.6
D&A, attrib (US\$m)	53.3	86.5	58.0	58.5	78.5
<b>Gross profit (US\$m)</b>	<b>318.6</b>	<b>171.3</b>	<b>215.5</b>	<b>191.9</b>	<b>247.9</b>

Admin (US\$m)	4.9	6.8	6.4	6.4	6.4
Finance cost (US\$m)	27.3	0.8	-	4.5	8.7
Expln, royalty, min. (US\$m)	30.5	32.6	35.4	35.8	50.8
Tax (US\$m)	45.9	82.1	50.7	44.9	57.4
<b>Net income (US\$m)</b>	<b>210.0</b>	<b>49.0</b>	<b>123.1</b>	<b>100.4</b>	<b>124.6</b>

Cash flow, attrib.	CY21A	CY22E	CY23E	CY24E	CY25E
EBITDA (US\$m)	336.5	218.4	231.8	208.3	269.2
Less working cap. (US\$m)	(34.0)	(0.3)	(33.8)	(7.2)	(27.3)
Less finance costs (US\$m)	0.6	(0.1)	-	-	-
Less tax paid (US\$m)	(30.9)	(82.1)	(50.7)	(44.9)	(57.4)
<b>Cash flow ops (US\$m)</b>	<b>272.2</b>	<b>135.9</b>	<b>147.2</b>	<b>156.2</b>	<b>184.5</b>
PP&E - build (US\$m)	(80.4)	(130.0)	(196.6)	(240.4)	(116.8)
Capitalised interest (US\$m)	-	-	-	-	-
<b>Cash flow inv. (US\$m)</b>	<b>(80.4)</b>	<b>(130.0)</b>	<b>(196.6)</b>	<b>(240.4)</b>	<b>(116.8)</b>

Share issue (US\$m)	97.3	(0.2)	-	-	-
Debt draw (repay) (US\$m)	(202.7)	(9.9)	-	45.5	66.3
<b>Cash flow fin. (US\$m)</b>	<b>(105.4)</b>	<b>(10.1)</b>	<b>-</b>	<b>45.5</b>	<b>66.3</b>
Net change in cash (US\$m)	86.5	(4.1)	(49.4)	(38.7)	134.0

Balance sheet	CY21A	CY22E	CY23E	CY24E	CY25E
Cash (US\$m)	134.0	121.4	72.0	33.3	167.3
AR + inv + other (US\$m)	140.2	216.9	247.8	246.0	292.9
PPE (US\$m)	266.6	297.4	432.8	614.7	653.1
<b>Total assets (US\$m)</b>	<b>540.9</b>	<b>635.7</b>	<b>752.7</b>	<b>894.0</b>	<b>1,113.3</b>
Debt (US\$m)	-	-	-	-	-
Accnts payable (US\$m)	(50.0)	(77.4)	(71.3)	(62.2)	(81.9)
Total liabilities (US\$m)	(50.0)	(77.4)	(71.3)	(62.2)	(81.9)
S/holders equity (US\$m)	248.8	239.7	239.7	239.7	239.7
Retained earnings (US\$m)	193.9	222.3	345.4	445.8	570.4
<b>Liabilities+equity (US\$m)</b>	<b>540.9</b>	<b>635.7</b>	<b>752.7</b>	<b>894.0</b>	<b>1,113.3</b>

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BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

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