

**Ticker:** WAF AU      **4Q22 cash:** A\$173m      **Project:** Sanbrado / Kiaka  
**Market cap:** A\$1.20b      **Price:** A\$1.17/sh      **Country:** Burkina Faso  
**REC. (unc):** BUY      **TARGET (unc):** A\$1.50/sh      **RISK RATING (unc):** HIGH

Ultimately, this is an in-line quarter with production, AISC, and cash (our main focus points) being within +1%, -5% and -5% of our forecasts. However, this trifecta was gained with some extra tonnes on lower grade and some inventory sell-down. A guidance hit is always good, in fact its rare to see a team have this kind of granularity/control in ops, having achieved targets two years in row while advancing development in the background. Underlying mining costs did lift from US\$2.07/t in 3Q to US\$3.01/t in 4Q; we lift our LT mining cost to US\$2.50/t with some relaxation in diesel prices likely. This nets off against a lift in our nominal US\$50m exploration to US\$100m to account for partial-value of both the upcoming M5 and MV3E resources / studies, lowering our overall NAV US\$1758m to US\$1717m. At our LT US\$1700/oz, our 0.8xNAV / 0.7xNAV for Sanbrado / Kiaka equates to A\$1.41 to A\$1.84. As such, ahead of reviewing our gold price, we **maintain our BUY rating and A\$1.50/sh PT** for now. The downside of West African in CY23 is that production will likely be much the same as M5 post-stripping and improved recovery post-oxygen offset grade variations. The upside of the name is the M5 UG study and potential satellite emerging at MV3E. The real game remains >400koz pa post Toega. As such, big picture we think today's 7% sell-off from reduced grade / cost creep for a company in the process of doubling production was a little overdone.

**Table 1. Operations and financials against prior quarter and SCPe**

Operations	3Q22A	4Q22E	4Q22A	QoQ	vs SCPe	Financials	3Q22A	4Q22E	4Q22A	QoQ	vs SCPe
Pit ore mined (000t)	536	675	664	24%	-2%	Gold sold (000oz)	55,005	49,276	55,364	1%	12%
Pit grade mined (g/t)	1.25	1.30	1.09	-13%	-16%	Sales price (US\$/oz)	1,731	1,729	1,758	2%	2%
Pit strip (x)	8.8	6.7	6.9	-22%	2%	Revenue (US\$m)	95.2	84.8	97.5	2%	15%
UG ore mined (000t)	93	100	133	43%	33%	Cash flow ops. (US\$m)	31.6	35.0	25.9	-18%	-26%
UG grade mined (g/t)	7.11	7.50	6.07	-15%	-19%	SCPe EBITDA (US\$m)	48.9	39.0	44.7	-9%	14%
Ore milled (000t)	873	800	851	-3%	6%	Change in net cash (US\$m)	(35.0)	3.8	1.6	-105%	-57%
Head grade (g/t)	1.90	2.06	2.00	5%	-3%	Net cash at end (US\$m)	117.6	121.4	115.5	-2%	-5%
Recovery (%)	92.5%	93.0%	92.3%	0%	-1%	Source: SCP estimates based on pre-reported production, West African					
<b>Group production (koz)</b>	<b>49.4</b>	<b>49.3</b>	<b>49.8</b>	<b>1%</b>	<b>1%</b>						
<b>Group AISC (US\$/oz)</b>	<b>1,197</b>	<b>1,219</b>	<b>1,286</b>	<b>7%</b>	<b>5%</b>						

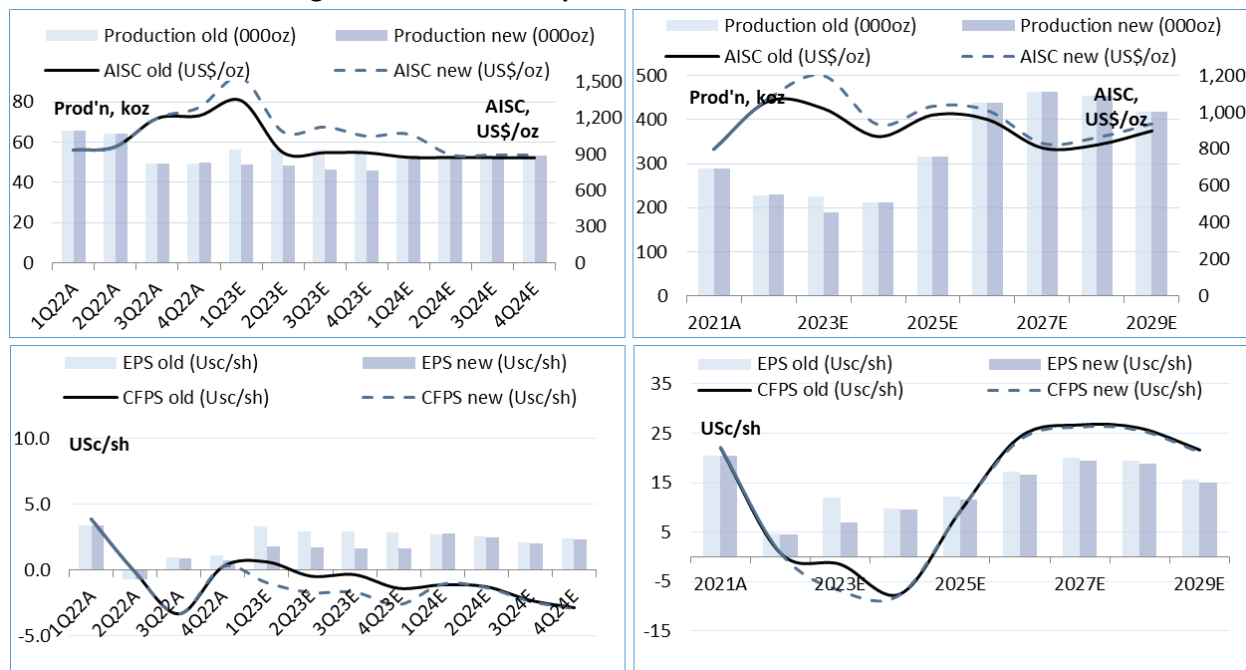
SCP estimates based on pre-reported production, West African

## Steady as she goes - flat Q4 sees CY22 229koz @ US\$1,086/oz in line with guidance; US\$115m cash

**Operations:** Sanbrado saw 49.8koz @ US\$1,286/oz in line with our SCPe 49.3koz @ US\$1,219/oz prior quarter, ending the year with 229koz production and achieving annual 220-240koz guidance. **Open pit tonnes** lifted +24% QoQ offsetting the -13% QoQ drop in grade as M5 stripping was completed for a net +8% lift in mined ounces. With stripping now complete, the -22% QoQ drop in strip (to 6.9:1) is expected to improve further towards the projected 2023 annual 4:1 average. **Underground tonnes increased significantly +43% QoQ** to 133kt as grades dropped 6.07g/t (-15% QoQ) due to stope sequencing that led to mining areas peripheral to higher-grade for net +22% lift in UG ounces for the quarter. **Processing** was steady with 851kt milled (-3% QoQ) at a slightly improved 2.0g/t head grade (+5% QoQ) with consistent 92.3% recoveries ahead of oxygen plant installation in 3Q23.

**Financials:** Sales of 55koz at US\$1,758/oz for US\$97m revenue was a +15% beat on our estimates including inventory sell down. Sustaining **capex** was 21% higher from ongoing TSF expansion and the purchase of surface mobile with capital development expenditure down 19% from lower capitalized development from M1 South UG and completion of the M5 South OP cut back. **A\$173m cash** on hand lifts from \$171m the prior quarter. The company guided that US\$300m debt is on track for agreement in 1Q23 for Kiaka, with early works underway and EPCM and mill contracts/packages awarded.

**Figure 1. Old and new production and financial forecasts**



Source: West African, SCP

## 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

- 1Q23: Reserve/resource update, 10-year production outlook, 2023 guidance
- 1Q23: Debt financing
- 1H23: M5 and M1S UG resource drilling and results
- 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> 0.83x	<b>Asset:</b> Sanbrado
<b>Author:</b> B Salier / E Magdzinski	<b>Rec/0.9xNAV PT:</b> BUY, A\$1.50/sh	<b>1xNAV<sub>1Q23</sub> FF FD:</b> A\$1.41/sh	<b>Country:</b> Burkina Faso

Group-level SOTP valuation					
	A\$	US\$m	O/ship	NAVx	A\$/sh*
NPV Sanbrado 1Q23	1,261	895	90%	0.80x	0.98
NPV Kiaka 1Q23	1,008	715	90%	0.70x	0.68
Central, fin. & aq'n cost	(153)	(108)	-	1.0x	(0.15)
Cash 4Q22	163	115	-	1.0x	0.16
Cash from options	0.5	0.3	-	1.0x	0.00
M5 + MV3E nominal exploration	141.0	100.0	-	1.0x	0.14
<b>1xNAV5% US\$1700/oz</b>	<b>2,421</b>	<b>1,717</b>			<b>PT: 1.41</b>

Asset value: 1xNPV project today (US\$m, ungeared)*					
Group NAV (US\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	948	1,140	1,329	1,514	1,701
7% discount	1,072	1,290	1,503	1,712	1,923
5% discount	1,225	1,474	<b>1,717</b>	1,957	2,198
Group 1xNAV (A\$/sh)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	0.85	0.99	1.14	1.28	1.42
7% discount	0.93	1.10	1.26	1.41	1.57
5% discount	1.04	1.22	<b>1.41</b>	1.59	1.76

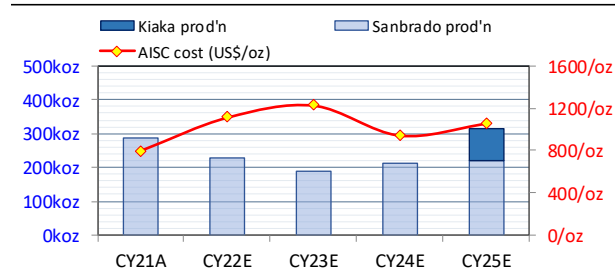
\*Project level NPV, excl finance costs and central SGA, discounted to build start

Group NAV over time	Mar 23	Mar 24	Mar 25	Mar 26	Mar 27
Sanbrado (US\$m)	895	884	824	731	646
Kiaka (US\$m)	715	850	1,093	1,297	1,205
Central, fin. & aq'n cost	(133)	(131)	(102)	(63)	(49)
Net cash (US\$m)	115	22	(51)	(88)	153
Options cash (US\$m)	0.3	0.3	0.3	0.3	0.3
Nominal explo (US\$m)	100	100	100	100	100
1xNAV (US\$m)	<b>1,692</b>	1,726	1,864	1,977	2,055
1xNAV5%/sh FF FD (A\$/sh)	<b>2.31</b>	2.36	2.54	2.70	2.80

1.0xNAV/sh (US\$m, geared)^					
NAV (A\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	922	1,112	1,299	1,483	1,668
7% discount	1,048	1,264	1,475	1,683	1,893
5% discount	1,202	1,450	<b>1,692</b>	1,931	2,170
NAV (A\$/sh)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	1.26	1.52	1.77	2.02	2.28
7% discount	1.43	1.72	2.01	2.30	2.58
5% discount	1.64	1.98	<b>2.31</b>	2.63	2.96

^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	189	213	220
Kiaka prod'n (koz)	-	-	-	-	96
<b>Total prod'n (000oz)</b>	<b>289</b>	<b>229</b>	<b>189</b>	<b>213</b>	<b>316</b>
Guidance CY22:	220-240koz @ US\$1040-1100/oz AISC				
AISC cost (US\$/oz)	796	1,115	1,230	941	1,055



Source: SCP estimates

Resource	Au (koz)	Au (g/t)	Inv't'y:	Au (koz)	Au (g/t)
Sanbrado/Toega pits	3,340koz	1.4g/t	Pit:	1,100koz	1.6g/t
Sanbrado UG	1,580koz	10.5g/t	UG:	1,229koz	7.7g/t
<b>Sanbrado total</b>	<b>4,920koz</b>	<b>1.9g/t</b>	<b>Total:</b>	<b>2,328koz</b>	<b>2.8g/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>6,849koz</b>	<b>1.2g/t</b>

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

Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E
Gold price	1,803	1,805	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	0.04	0.07	0.10	0.12
CFPS before w/c (US\$/sh)	0.22	0.01	(0.07)	(0.08)	0.09
EV (US\$m)	712.3	733.8	827.2	880.9	747.8
D&A, attrib (US\$m)	27%	1%	-	-	11%
PER (x)	4.0x	18.8x	12.1x	8.7x	7.2x
P/CF (x)	3.7x	114.9x	-	-	9.0x
EV/EBITDA (x)	2.1x	3.3x	5.2x	4.3x	2.9x

Income statement attrib.	CY21A	CY22E	CY23E	CY24E	CY25E
Revenue, attrib (US\$m)	531.1	423.3	345.7	371.2	534.7
COGS, attrib (US\$m)	159.1	160.0	151.8	123.0	214.6
D&A, attrib (US\$m)	53.6	84.1	60.4	60.7	80.6
<b>Gross profit (US\$m)</b>	<b>318.3</b>	<b>179.2</b>	<b>133.5</b>	<b>187.6</b>	<b>239.4</b>
Admin (US\$m)	4.9	7.1	7.8	7.8	7.8
Finance cost (US\$m)	27.3	0.9	-	4.5	8.7
Expln, royalty, min. (US\$m)	30.5	32.1	26.5	34.1	50.1
Tax (US\$m)	45.8	93.9	28.8	43.3	54.7
<b>Net income (US\$m)</b>	<b>209.7</b>	<b>45.1</b>	<b>70.4</b>	<b>97.9</b>	<b>118.1</b>

EBITDA, attrib.	CY21A	CY22E	CY23E	CY24E	CY25E
EBITDA (US\$m)	336.5	224.1	159.6	206.3	262.1
Less working cap. (US\$m)	(34.0)	(3.3)	(22.3)	(20.5)	(27.5)
Less finance costs (US\$m)	0.6	(0.2)	-	-	-
Less tax paid (US\$m)	(30.9)	(93.9)	(28.8)	(43.3)	(54.7)
<b>Cash flow ops (US\$m)</b>	<b>272.3</b>	<b>126.6</b>	<b>108.5</b>	<b>142.5</b>	<b>179.9</b>
PP&E - build (US\$m)	(80.4)	(124.0)	(201.9)	(241.7)	(113.1)
Capitalised interest (US\$m)	-	-	-	-	-
<b>Cash flow inv. (US\$m)</b>	<b>(80.4)</b>	<b>(124.0)</b>	<b>(201.9)</b>	<b>(241.7)</b>	<b>(113.1)</b>
Share issue (US\$m)	97.3	(0.2)	-	-	-
Debt draw (repay) (US\$m)	(202.7)	(11.0)	-	45.5	66.3
<b>Cash flow fin. (US\$m)</b>	<b>(105.4)</b>	<b>(11.1)</b>	<b>-</b>	<b>45.5</b>	<b>66.3</b>
Net change in cash (US\$m)	86.6	(8.5)	(93.4)	(53.7)	133.1

Balance sheet	CY21A	CY22E	CY23E	CY24E	CY25E
Cash (US\$m)	134.0	115.5	22.1	(31.7)	101.5
AR + inv + other (US\$m)	140.2	225.6	231.7	242.4	291.6
PPE (US\$m)	266.4	308.1	446.4	627.4	659.9
<b>Total assets (US\$m)</b>	<b>540.7</b>	<b>649.1</b>	<b>700.2</b>	<b>838.2</b>	<b>1,053.0</b>
Debt (US\$m)	-	-	-	-	-
Accnts payable (US\$m)	(50.0)	(92.4)	(73.2)	(63.3)	(85.0)
Total liabilities (US\$m)	(50.0)	(92.4)	(73.2)	(63.3)	(85.0)
S/holders equity (US\$m)	248.8	239.7	239.7	239.7	239.7
Retained earnings (US\$m)	193.7	218.5	288.9	386.7	504.8
<b>Liabilities+equity (US\$m)</b>	<b>540.7</b>	<b>647.0</b>	<b>698.1</b>	<b>836.1</b>	<b>1,050.8</b>

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TOTAL	55

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