

Ticker: WAF AU

4Q22 cash: A\$173m

Project: Sanbrado / Kiaka

Market cap: A\$1.14b

Price: A\$1.11/sh

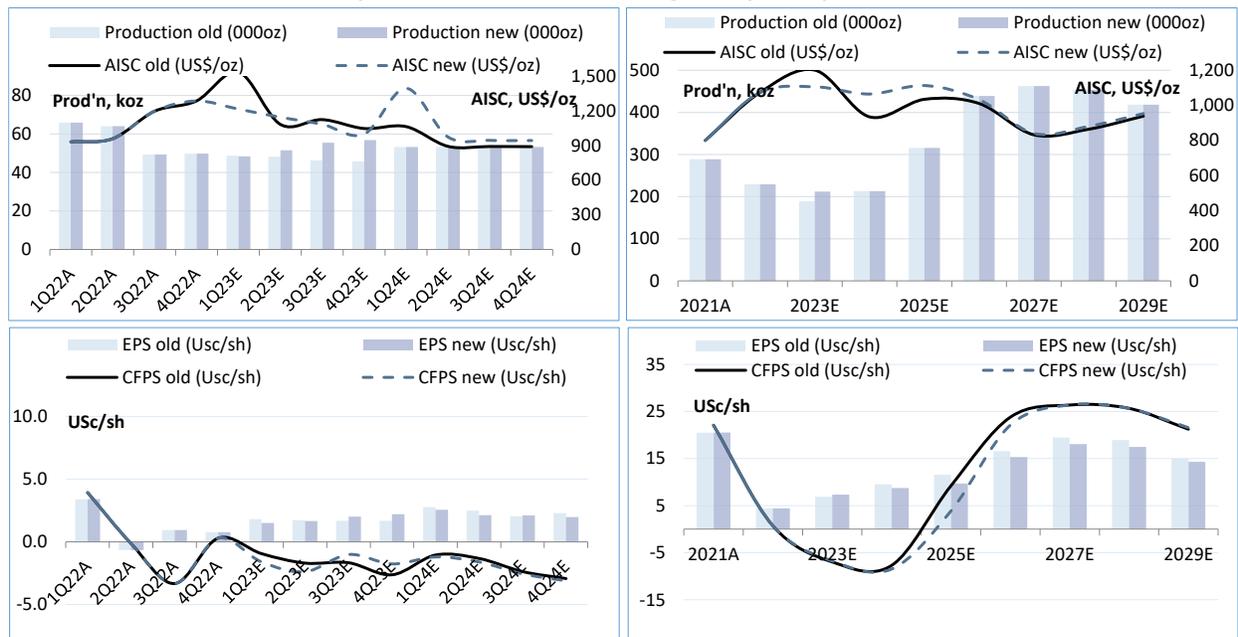
Country: Burkina Faso

REC. (unc): BUY

TARGET (unc): A\$1.50/sh

RISK RATING (unc): HIGH

CY23 220koz @ <US\$1,175/oz AISC guidance is a solid beat on our 189koz @ US\$1,230/oz forecast as planned 7g/t UG and >1.4g/t pit grades beat our 6.2g/t and 1.2g/t forecasts. Sustaining capex of US\$39m included in this is inline with our US\$42m forecast, albeit ours was based on Toega pre-strip with today's covering the TMF. Similarly, one needs to 'spend it to make it', with our US\$2m growth capex well shy of US\$27m forecast today to be spread around value-add activities of MV3 drilling, M1S drilling, M5 UG scoping studies and more, but factored into our recent lift in nominal valuation for M5 / MV3E from US\$50m to US\$100m. Lifting our CY production forecast to 212koz @ US\$1,116/oz takes our NAV from US\$1,717m to US\$1,679m with increased capital spend. We lift our modelled debt requirement from US\$150m to US\$250m today, against targeted US\$300m, lifting our spend forecast for Kiaka from capex of US\$420m to spend of US\$465m, with ~US\$90m buffer pointing to potential lower debt requirements and/or a healthy drilling and development budget, but lowering our NAV_{5%-1700} to US\$1,618m. This equates to A\$1.70/sh at our 0.8xNAV Sanbrado (with both inferred and reserve-based mine plans) and 0.7x for unbuilt Kiaka at spot, or A\$1.32/sh at US\$1,700/oz. As such, ahead of reviewing our gold price, we **maintain our BUY rating and A\$1.50/sh PT** for now. On an absolute basis, FCF yield abates now with funds to be reinvested into Kiaka, leaving interim catalysts of M5 UG study and potential satellite emerging at MV3E, ie coming back to the 'spend money to make money' growth capital above. The real game remains not just making >400koz pa post Toega, but doing it without capital creep. Even with our higher debt and capex assumptions today, we see ~30% FCF yield once in production.

Table 1. Operations and financials against prior quarter and SCPE


Source: West African, SCP

CY23 guidance 210-230koz @ <US\$1,175/s beats SCPE 189koz @ US\$1,230/oz

West Africa has guided 210-230koz @ <US\$1,175/oz AISC (vs. SCPE 189koz @ US\$1,230/oz), based on 7g/t UG (vs SCPE 6.2g/t) with open pit grades expected to be 'marginally higher' than CY22 (CY22 actual 1.37g/t, vs. CY23 SCPE 1.20g/t). All-in sustaining cost forecasts include US\$24m of UG development (SCPE US\$24m) and US\$15m of above ground sustaining capex and leases for TMF facilities (SCPE US\$18m), with an additional US\$27m of growth capex excluding Kiaka (vs. SCPE US\$2m) for drilling at MV3, M1 South UG drilling, M5 scoping studies and Toega.

Why we like West African

1. Stock trades at 0.65xNAV-spot, 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

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Konstantinos Kormpis (Toronto) M: +1 778-957-3623 kkormpis@sprott.com

Ticker: WAF AU	Price / mkt cap: A\$111c/sh, A\$1136m	Group P/NAV today: 0.84x	Asset: Sanbrado
Author: B Salier / E Magr	Rec/0.9xNAV PT: BUY, A\$1.50/sh	1xNAV_{1Q23} FF FD: A\$1.32/sh	Country: Burkina Faso

Group-level SOTP valuation					
	A\$	US\$m	O/ship	NAVx	A\$/sh*
NPV Sanbrado 1Q23	1,227	863	90%	0.80x	0.95
NPV Kiaka 1Q23	971	683	90%	0.70x	0.66
Central, fin. & aq'n cost	(206)	(145)	-	1.0x	(0.20)
Cash 4Q22	164	115	-	1.0x	0.16
Cash from options	0.5	0.3	-	1.0x	0.00
M5 + MV3E nom expl'n	142.2	100.0	-	1.0x	0.14
1xNAV5% US\$1700/oz	2,299	1,617		PT:	1.32

Asset value: 1xNPV project today (US\$m, ungeared)*					
Group NAV (US\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	931	1,123	1,312	1,497	1,684
7% discount	1,055	1,273	1,486	1,695	1,907
5% discount	1,208	1,457	1,700	1,940	2,181
Group 1xNAV (A\$/sh)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	0.83	0.98	1.12	1.26	1.40
7% discount	0.92	1.08	1.24	1.40	1.55
5% discount	1.02	1.21	1.39	1.57	1.75

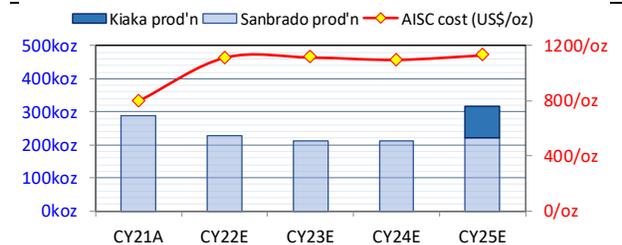
*Project level NPV, excl finance costs and central SGA, discounted to build start

Group NAV over time	Mar 23	Mar 24	Mar 25	Mar 26	Mar 27
Sanbrado (US\$m)	863	840	787	702	638
Kiaka (US\$m)	683	817	1,060	1,309	1,216
Central, fin. & aq'n cost	(187)	(178)	(137)	(91)	(70)
Net cash (US\$m)	115	37	(54)	(151)	61
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)	1,574	1,617	1,756	1,869	1,946
1xNAV5%/sh FF FD (A\$/sh)	2.17	2.23	2.42	2.57	2.68

1.0xNAV/sh (US\$m, geared)^					
NAV (A\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	905	1,095	1,282	1,466	1,651
7% discount	1,031	1,247	1,458	1,666	1,876
5% discount	1,186	1,433	1,676	1,914	2,154
NAV (A\$/sh)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
9% discount	1.23	1.49	1.75	2.00	2.25
7% discount	1.41	1.70	1.99	2.27	2.56
5% discount	1.62	1.96	2.29	2.61	2.94

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

Production	CY21A	CY22E	CY23E	CY24E	CY25E
Sanbrado prod'n (koz)	289	229	212	213	220
Kiaka prod'n (koz)	-	-	-	-	96
Total prod'n (000oz)	289	229	212	213	316
Guidance CY22:	220-240koz @ US\$1040-1100/oz AISC				
AISC cost (US\$/oz)	796	1.115	1.116	1.099	1.132



Source: SCP estimates

Resource	Au (koz)	Au (g/t)	Invt'ry:	Au (koz)	Au (g/t)
Sanbrado/Toega pits	3,340koz	1.4g/t	Pit:	1,116koz	1.6g/t
Sanbrado UG	1,580koz	10.5g/t	UG:	1,221koz	7.7g/t
Sanbrado total	4,920koz	1.9g/t	Total:	2,336koz	2.8g/t
Kiaka pits	7,700koz	0.9g/t	Pit:	4,520koz	0.9g/t
Global	12,620koz	1.1g/t	Total:	6,857koz	1.2g/t

Share data				
		Spot share price (A\$/sh)	A\$1.11	
Basic shares (m)	1,023.4			
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	0.09	0.10
CFPS before w/c (US\$/sh)	0.22	0.01	(0.07)	(0.08)	0.04
EV (US\$m)	662.3	683.6	737.0	736.7	666.4
FCF yield (%)	28%	1%	-	-	5%
PER (x)	3.8x	17.6x	10.6x	8.9x	8.1x
P/CF (x)	3.5x	108.1x	-	-	20.3x
EV/EBITDA (x)	2.0x	3.1x	3.9x	3.6x	2.6x

Income statement attrib.	CY21A	CY22E	CY23E	CY24E	CY25E
Revenue, attrib (US\$m)	531.1	423.3	387.6	371.2	534.9
COGS, attrib (US\$m)	159.1	160.0	155.2	124.3	218.2
D&A, attrib (US\$m)	53.4	83.9	78.1	73.5	94.4
Gross profit (US\$m)	318.6	179.4	154.3	173.4	222.3

Admin (US\$m)	4.9	7.1	7.8	7.8	7.8
Finance cost (US\$m)	27.3	0.9	-	4.8	16.5
Expln, royalty (US\$m)	30.5	32.1	37.4	31.8	49.0
Tax (US\$m)	45.9	93.9	33.8	39.4	50.0
Net income (US\$m)	209.9	45.3	75.2	89.5	99.1

Cash flow, attrib.	CY21A	CY22E	CY23E	CY24E	CY25E
EBITDA (US\$m)	336.5	224.1	187.2	207.2	259.9
Less working cap. (US\$m)	(34.0)	(3.3)	(9.1)	(33.0)	(27.6)
Less finance costs (US\$m)	0.6	(0.2)	-	-	-
Less tax paid (US\$m)	(30.9)	(93.9)	(33.8)	(39.4)	(50.0)
Cash flow ops (US\$m)	272.2	126.6	144.3	134.8	182.3

PP&E - build (US\$m)	(80.4)	(124.0)	(222.7)	(254.7)	(170.5)
Capitalised interest (US\$m)	-	-	-	-	-
Cash flow inv. (US\$m)	(80.4)	(124.0)	(222.7)	(254.7)	(170.5)

Share issue (US\$m)	97.3	(0.2)	-	-	-
Debt draw (repay) (US\$m)	(202.7)	(11.0)	25.0	120.2	58.5
Cash flow fin. (US\$m)	(105.4)	(11.1)	25.0	120.2	58.5
Net change in cash (US\$m)	86.5	(8.5)	(53.4)	0.2	70.3

Balance sheet	CY21A	CY22E	CY23E	CY24E	CY25E
Cash (US\$m)	134.0	115.5	62.1	62.3	132.6
AR + inv + other (US\$m)	140.2	225.6	226.9	247.2	297.7
PPE (US\$m)	266.6	306.0	442.6	623.8	699.9
Total assets (US\$m)	540.9	647.1	731.6	933.4	1,130.3

Debt (US\$m)	-	-	-	-	-
Accnts payable (US\$m)	(50.0)	(92.4)	(76.7)	(64.0)	(86.9)
Total liabilities (US\$m)	(50.0)	(92.4)	(76.7)	(64.0)	(86.9)
S/holders equity (US\$m)	248.8	239.7	239.7	239.7	239.7
Retained earnings (US\$m)	193.8	218.6	293.8	383.3	482.4
Liabilities+equity (US\$m)	540.9	647.1	731.6	933.4	1,130.3

DISCLOSURES & DISCLAIMERS

This research report (as defined under IIROC Rule 3600, Part B) is issued and approved for distribution in Canada by Sprott Capital Partners LP (“SCP”), an investment dealer who is a member of the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Canadian Investor Protection Fund (“CIPF”). The general partner of SCP is Sprott Capital Partners GP Inc. and SCP is a wholly-owned subsidiary of Sprott Inc., which is a publicly listed company on the Toronto Stock Exchange under the symbol “SII”. Sprott Asset Management LP (“SAM”), a registered investment manager to the Sprott Funds and is an affiliate of SCP. This research report is provided to retail clients and institutional investors for information purposes only. The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of SCP’s research department. The information in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does SCP and/or affiliated companies or persons assume any responsibility or liability whatsoever. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. SCP accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein. Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. SCP may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivatives instruments thereon, and may, as a principal or agent, buy or sell such products.

DISSEMINATION OF RESEARCH: SCP’s research is distributed electronically through email or available in hard copy upon request. Research is disseminated concurrently to a pre-determined list of clients provided by SCP’s Institutional Sales Representative and retail Investment Advisors. Should you wish to no longer receive electronic communications from us, please contact unsubscribe@sprott.com and indicate in the subject line your full name and/or corporate entity name and that you wish to unsubscribe from receiving research.

RESEARCH ANALYST CERTIFICATION: Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- The views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- His/her compensation is not and will not be directly related to the specific recommendations or view expressed by the Research analyst in this research report;
- They have not affected a trade in a security of any class of the issuer within the 30-day period prior to the publication of this research report;
- They have not distributed or discussed this Research Report to/with the issuer, investment banking group or any other third party except for the sole purpose of verifying factual information; and
- They are unaware of any other potential conflicts of interest.

UK RESIDENTS: Sprott Partners UK Limited (“Sprott”) is an appointed representative of PillarFour Securities LLP which is authorized and regulated by the Financial Conduct Authority. This document has been approved under section 21(1) of the FMSA 2000 by PillarFour Securities LLP (“PillarFour”) for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Conduct Authority. Its contents are not directed at UK retail clients. PillarFour does not provide investment services to retail clients. PillarFour publishes this document as non-independent research which is a marketing communication under the Conduct of Business rules. It has not been prepared in accordance with the regulatory rules relating to independent research, nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Sprott and PillarFour consider this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. This is because the content is either considered to be commissioned by Sprott’s clients as part of their advisory services to them or is short term market commentary. Neither Sprott nor PillarFour nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where PillarFour is permitted to distribute its research.

IMPORTANT DISCLOSURES FOR U.S. PERSONS: This research report was prepared by Sprott Capital Partners LP (“SCP”), a company authorized to engage in securities activities in Canada. SCP is not a registered broker/dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Sprott Global Resource Investments Ltd. (“SGRIL”), a broker dealer in the United States registered with the Securities Exchange Commission (“SEC”), the Financial Industry Authority (“FINRA”), and a member of the Securities Investor Protection Corporation (“SIPC”). Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through SCP.

SGRIL accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. The analyst whose name appears in this research report is not licensed, registered, or qualified as a research analyst with FINRA and may not be an associated person of SGRIL and, therefore, may not be subject to applicable restrictions under FINRA Rule 2241 regarding communications by a research analyst with a subject company, public appearances by the research analyst, and trading securities held by a research analyst account. To make further inquiries related to this report, United States residents should contact their SGRIL representative.

ANALYST CERTIFICATION / REGULATION AC: The analyst and associate certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers. In addition, the analyst and associate certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

SPROTT CAPITAL PARTNERS EXPLANATION OF RECOMMENDATIONS: Should SCP issue research with recommendations, the research rating guidelines will be based on the following recommendations:

BUY: The stocks total returns are expected to be materially better than the overall market with higher return expectations needed for more risky securities markets

NEUTRAL: The stock's total returns are expected to be in line with the overall market

SELL: The stocks total returns are expected to be materially lower than the overall market

TENDER: The analyst recommends tendering shares to a formal tender offering

UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

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

Research Disclosure		Response
1	SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities ¹	YES
2	The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives	NO
3	An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services	NO
4	SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation	NO
5	Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer	NO
6	SCP is making a market in an equity or equity related security of the issuer	NO
7	The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer	NO
8	The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	YES
9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

Sprott Capital Partners Equity Research Ratings:

Summary of Recommendations as of January 2023	
BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

¹ As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month