

West African Resources Ltd.

WAF-TSX: \$0.23

Rating: Speculative Buy

Target: \$0.40

Estimates	2017E	2020E	2021E
CFPS	A\$(0.04)	A\$(0.01)	A\$0.04
P/CFPS	NMF	2.3X	2.5X
EPS	A\$(0.03)	A\$(0.01)	A\$0.01
P/E	NMF	4.6X	4.7X
Equity Au Production (koz)	-	131	150
Consolidated Au Sales (koz)	-	145	167
Gold Price (\$/oz)	\$ 1,300	1300	\$ 1,300
Costs (US\$/oz)			
Total Cash Costs	\$ -	\$ 866	\$ 609
Sustaining Capex	\$ -	\$ 60	\$ 60
G&A	\$ -	\$ 72	\$ 72
Exploration	\$ -	\$ 90	\$ 90
All-In Sustaining Costs	\$ -	\$ 1,088	\$ 831

Market Data	
Price (07/28/16):	C\$0.23
Potential Return (%):	74%
52-Week Range:	C\$0.05-C\$0.40
Market Cap. (\$mm):	C\$111.3
Shr. O/S-Basic (mm):	483.9
Shr. O/S-FD (mm):	564.5
Management and Directors (%):	4.79%
Enterprise Val. (C\$ MM):	C\$88.4
Dividend (\$):	0.00
Avg Daily Vol (3 Mo) ('000):	210
NAVPS:	C\$0.42
Cash (A\$ MM):	A\$17
Debt (A\$ MM):	A\$0
Price/NAV:	0.5x
Fiscal Year End	30-Sep



Source: FactSet

Top Holders (Source: Bloomberg)	
1832 Asset Management	8.1%
Contango Asset Management	5.2%
Boston First capital	4.8%
Francis Harper	4.5%

Company Information	
Flagship Project/Location:	Tanlouka/Burkina Faso
Att. Global Gold Resource (MMoz):	2.1
AMC/oz Valuation (C\$/oz)	C\$42

Another Underground Potential at M5?

March 27, 2017

WAF announced high grade results at the M5 deposit, which was earlier understood to be a lower grade deposit with a global resource of 1.8MM oz @ 1.24 g/t. We await further drill results from deep drilling at M5 to confirm the potential for a second underground operation that could add further excitement to the WAF story. The first underground scenario is being optimized for the M1 South deposit with a new feasibility study for the open-pit and potential underground mining scenario for the M1 South due by Q3/17. We maintain our **SPECULATIVE BUY** rating and our target price of **\$0.40** per share.

HIGH GRADE INTERCEPT AT DEPTH: High grade drill results were reported from the south-western and north-eastern ends of the M5 deposit. Deep drilling at the south-western end of M5 returned thick zones of high grade gold mineralization beneath the existing reserve pit shells. Significant intercepts included: 29m at 4.96g/t; 15m at 5.03 g/t; 20m at 3.34 g/t. Diamond drilling beneath the shallow RC drilling in the north-eastern end of M5 also intersected better than expected results with significant intercepts: 30m at 2.6 g/t including 1m at 14.3 g/t and 2m at 10.3 g/t. Mineralization remains open at depth. We await assay results from holes TAN17-DD101 and TAN17-DD102 to confirm underground potential if intercepts are greater than 5g/t and ~20meters wide.

WORK PROGRAM POINTS TO MORE NEWS FLOW AHEAD: A total of 12,500 meters of drilling has been completed to date with some results pending. Currently there are 4 rigs turning at high priority targets at M1 and M5 with the objective of extending mineralization at depth and upgrading inferred ounces to the indicated category. Management is targeting drilling a minimum of 50,000 meters and is planning to add two additional rigs on site. We expect continued news flow from these drill campaigns. With A\$16.5 MM in cash, the company is well funded and on track to deliver an updated feasibility for the Sanbrado project by Q3/17.

RECOMMENDATION: The stock currently trades at 0.54x NAV, a ~24% discount to unfunded peers that are trading at an average of 0.72x. (Figure 1.) We highlight that many of these peers are not permitted and yet trade at a premium to WAF. We also see potential for upside from an underground scenario at M1 South that could lower the strip ratio from the current 35.6:1. We believe upcoming milestones, including exploration results from M1 South, M1 North and M5 and updated feasibility considering the underground mining scenario at the M1 South deposit should see the stock re-rated. We maintain our **SPECULATIVE BUY** rating and our target price of **\$0.40** per share.

Figure 1: WAF Comps

Company Name	Region Jurisdiction	Flagship Project	Ticker	Price	S/O MM	Market Cap (C\$ MM)	Enterprise Value (C\$ MM)	ATTRIBUTABLE OZ				VALUATION P/NAV
								P+P MM	M+I MM	Inf. MM	Total MM	
Unfunded Developers												
Continental Gold Inc	Colombia	Buritica	TSX:CNL	\$4.04	142	\$572	\$533	3.7	4.5	4.5	12.7	0.49x
Lundin Gold Inc.	Ecuador	Fruta del	TSX:LUG	\$6.16	119	\$731	\$716	4.9	7.5	2.2	9.7	0.79x
Sabina Gold & Silver Corp.	Nunavat	Back River	TSX:SBB	\$1.45	224	\$324	\$284	2.5	5.3	1.9	9.7	0.65x
Pretium Resources Inc.	BC, Canada	Brucejack	TSX:PVG	\$14.81	180	\$2,663	\$3,145	8.0	9.6	5.7	23.3	0.86x
Midas Gold Corp.	Idaho, US	Stibnite	TSE:MAX	\$0.83	180	\$149	\$115	4.6	5.5	1.1	11.1	NA
Emerging Producers												
Guyana Goldfields Inc.	Guyana	Aurora	TSX:GUY	\$6.70	171	\$1,147	\$1,066	3.0	6.5	1.8	11.4	1.05x
Torex Gold Resources Inc.	Mexico	El Limon	TSX:TXG	\$26.36	80	\$2,099	\$2,615	3.7	4.2	7.0	14.9	0.91x
Roxgold Inc.	Burkina Faso	Yaramoko	TSX:ROG	\$1.36	371	\$505	\$497	0.8	0.8	0.3	1.8	0.77x
TMAC Resources, Inc.	Nunavat	Hope Bay	TSX:TMR	\$16.00	84	\$1,343	\$1,396	3.5	4.5	1.4	9.4	1.02x
Global Peer Group		Mean				\$1,059					11.6	0.82x
		Median				\$731					11.1	0.82x
Unfunded Peer Group		Mean				\$888					13.3	0.70x
		Median				\$572					11.1	0.72x
Emerging Producer Peer Group		Mean				\$1,274					9.4	0.94x
		Median				\$1,245					10.4	0.96x
West African Resources	Burkina Faso	Tanlouka	TSX:WAF	\$0.23	484	\$111	\$107	0.4	0.7	1.4	2.1	0.54x

Source: Factset, Clarus Securities

Milestones

1. Exploration Results at M1 South, M1 North and M5 – Ongoing
2. Updated feasibility study with underground mining scenario at M1 South – Q3/17

Target Price Calculator: We value WAF using a 1.0x multiple to our estimated project NAV (5%) for the Sanbrado project and apply corporate adjustment to arrive at our target price.

Key Risk to Target Price: Please refer to the risks disclosed in the initiating report dated July 18, 2016.

West African Resources (WAF - TSX), SPECULATIVE BUY, Target: \$0.40

Rating	SPECULATIVE BUY	Target Price	\$0.40	Shares O/S	483.9
12-Month Return	74%	Previous Close	\$0.23	Market Cap. C\$M	\$111.3
				Fully Diluted Shares	564.5

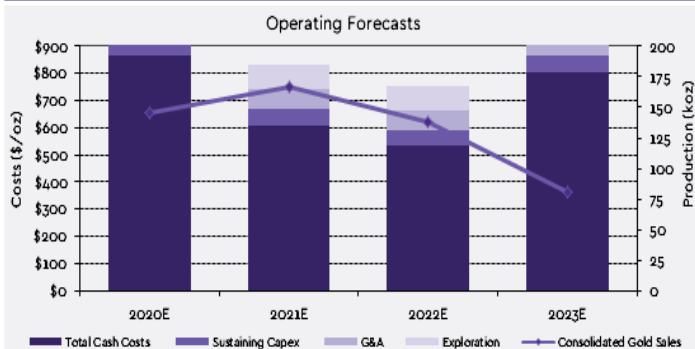
AUD MM except per share data and unless otherwise noted

CAPITAL STRUCTURE	Strike Price C\$/share	Maturity Date	Number	Shares (MM)
Shares Outstanding				483.9
Warrants Outstanding				0.0
Options Outstanding				80.6
Assumed Equity Financing	C\$0.50			209.0
Current FD Shares (Excluding Estimated Future Equity Financing)				564.5
Current FD Shares (Including Estimated Future Equity Financing)				773.4

VALUATION	Discount rate	A\$M	A\$/share
NET ASSET VALUE (50% WEIGHT)			
Sanbrado (90.0%), Burkina Faso	5.0%	\$157	\$0.20
Government Carried Capex Interest (10%)	5.0%	-\$19	-\$0.02
Sub-Total		\$138	\$0.18
Multiple to Development Assets	1.0x		\$0.18
In-Situ Valuation of Exploration Potential			
Gold Exploration Properties	C\$50/oz	\$65	\$0.08
Other		-	-
Sub-total		\$65	\$0.08
Corporate Adjustments			
Basic Working Capital		\$13	\$0.02
Long-term Debt		\$0	\$0.00
Estimated Debt Additions		-\$104	-\$0.14
Estimated Working Capital Additions		\$209	\$0.27
Value of ITM Instruments		\$0	\$0.00
Other		-	-
Sub-total		\$117	\$0.15
Total Corporate NAV	A\$/share	\$320	\$0.41
Target Price	C\$/share	\$328	\$0.40
P/NAV			0.54x

PRODUCTION ESTIMATES	Calendar Year	2020E	2021E	2022E	2023E
Attributable Production	koz	131	150	124	73
Consolidated Gold Sales	koz	145	167	138	81

COST ESTIMATES	Calendar Year	2020E	2021E	2022E	2023E
Total Cash Costs	US\$/oz	\$ 866	\$ 609	\$ 533	\$ 804
Sustaining Capex	US\$/oz	\$ 60	\$ 60	\$ 60	\$ 60
G&A	US\$/oz	\$ 72	\$ 72	\$ 72	\$ 72
Exploration	US\$/oz	\$ 90	\$ 90	\$ 90	\$ 90
All-In Sustaining Costs	US\$/oz	\$ 1,088	\$ 831	\$ 755	\$ 1,026



Source: Company reports, Clarus Securities estimates

FINANCIAL SUMMARY (amount in AUD)	2020E	2021E	2022E	2023E
Calendar Year				
Gold Price (US\$/oz)	\$1,300	\$1,300	\$1,300	\$1,300
Realised Gold Price (US\$/oz)	\$1,300	\$1,300	\$1,300	\$1,300
EPS	\$0.01	\$0.05	\$0.05	\$0.00
P/EPS	NA	4.6x	4.7x	71.2x
Target/EPS	NA	7.9x	8.2x	123.7x
CFPS	\$0.04	\$0.10	\$0.09	\$0.03
P/CFPS	NA	2.3x	2.5x	7.9x
Target/CFPS	NA	4.1x	4.3x	13.7x

Income Statement	2020E	2021E	2022E	2023E
Revenue	\$209	\$241	\$199	\$117
Operating Expenses	(\$138)	(\$112)	(\$81)	(\$72)
Depreciation	(\$28)	(\$36)	(\$33)	(\$21)
General & Adm.	(\$12)	(\$13)	(\$11)	(\$6)
Other	\$0	\$0	\$0	\$0
Exploration Exp.	(\$15)	(\$17)	(\$14)	(\$8)
Net Interest Expense	(\$7)	(\$7)	(\$6)	(\$4)
Taxes Expense	(\$3)	(\$17)	(\$16)	(\$2)
Other	(\$3)	(\$6)	(\$5)	(\$2)
Net Income	\$5	\$34	\$33	\$2

Cash Flow	2020E	2021E	2022E	2023E
Operating CF	\$27	\$67	\$63	\$20
Dividend	\$0	\$0	\$0	\$0
Borrowings	\$0	\$0	\$0	\$0
Repayments	\$0	\$0	(\$17)	(\$35)
Share Issuance	\$0	\$0	\$0	\$0
Financing CF	(\$3)	(\$6)	(\$23)	(\$36)
Investing CF	(\$10)	(\$11)	(\$9)	(\$5)
Change in Cash	\$15	\$50	\$31	(\$22)
Free Cash Flow (bef div and fin.)	\$17	\$56	\$54	\$14
Free Cash Flow Yield	16%	51%	50%	13%

Balance Sheet	2020E	2021E	2022E	2023E
Cash & Equivalents	\$16	\$66	\$97	\$75
Current Assets	\$16	\$66	\$97	\$75
Current Debt	\$0	\$0	\$26	\$35
Current Liabilities	\$1	\$18	\$36	\$36
Long-term Debt	\$104	\$104	\$78	\$44
Shareholder Equity	\$80	\$115	\$147	\$150

MODELLED RESERVES & RESOURCES	MMt	g/t	oz	Mine Life (yr)
Gold Assets				
Sanbrado (90.0%), Burkina Faso	16.4	1.7	0.9	9.0

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