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AROUND THE CLOCK TRADING

VAST RESOURCES

(VAST.LN)
May 2020

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VAST RESOURCES PLC “VAST.LN” – POSITIVE OUTLOOK

Equity Research	
Current Price:	0.155p
Sector:	Mining
Key Market Data	
Market:	AIM
TIDM:	VAST LN
ISIN:	GB00B142P698
SEDOL:	B142P69
Co. Website:	www.vastplc.com
Year-end:	April
12M High/Low:	0.1525 / 0.5369
Existing Shares:	11,295,749,585
Market Cap	£17M
Company Details – Vast Resources Plc. 0207 846 0974	

Vast Resources (VAST.LN) is an AIM listed mining and resource development company with early production and exploration assets in Romania and Zimbabwe. Its Baita Plai Polymetallic Mine (Romania) has delivered grades exceeding company expectations following recent asset analysis performed by Grinding Solutions LTD average sample grades of Cu (9%), Pb (0.45%) and Zn (1.1%). This could open up favourable financing options for Vast in the coming weeks leading to FCF of circa \$12M-\$18M per annum, reinforced by Molybdenum results with free carry in Au (4.5g/t), Ag (271g/t). Secondary near-term catalyst is the granting/subsequent commencement of diamond mining at the Chiadzwa fields (Zimbabwe) located in Marange, regarded as one of richest global alluvial diamond deposits. Vast gives investors exposure to a diversified asset portfolio with numerous near-term value inflexion points likely to trigger a significant re-rating of the stock with limited dilution risk for equity holders (post debt facility).

- **Baita Plai Polymetallic Mine in Romania** - most potential near-term catalyst. Fully permitted with low capex/intensity work required to recommence mining under new efficient management plans for +ve \$8M-\$12M FCF FY20 (stand-alone).

- **Early Confirmatory Test Results Supportive** showing concentrate grades of 20-28% Cu (84-96% recovery rates) as

well as meaningful Mo, Zn & Pb. Further sample results in coming weeks could confirm grade est. increase.

- **Cash sufficient for ALL Baita Plai mine testing** allowing for confirmation of recent grade samples and refinancing under considerably favourable terms (removal of Atlas Debt facility for project). Non-dilutive funding for investors.
- **Chiadzwa Community Diamond Concession** is critical to the local Zimbabwe economy and is fully supported at all government levels. The diamond rich area is now secure with imminent permit news likely to trigger a FY20 re-rating and give a green light for recommencement of mining in the region.
- **Other potential assets within Romania** which include Manaila (open pit Cu/Zn), Carlibaba extension project, Magura Neagra & Piciorul Zimbrului (collectively known as Zagra) and Blueberry (Au project).

- **Key future catalyst events include** 1) further drill results from Baita Plai (4-6-weeks), 2) Baita Plai mineral resource/reserve results (exp. Q3-20) and 3) mineral resource estimates for Chiadzwa diamond project (*JORC compliant) by Q3-20.

VAST Resources Plc – Key Financial Data (Historical)

Year ended 31 March (\$'m)	2015A	2016A	2017A	2018A	2019A
Revenues	0.00	7.2	23.8	3.1	3.4
EBITDA	(6.0)	(5.9)	0.9	(3.1)	(7.9)
EBIT	(6.0)	(8.0)	(1.7)	(4.5)	(9.1)
Net Interest	(0.0)	(0.5)	(0.7)	(0.7)	(0.8)
Profit Before Tax (PBT)	(6.0)	(8.5)	(2.4)	(17.8)	(10.0)
Taxation	0.0	1.7	(1.2)	0.0	0.0
Profit (Loss) for Period	(6.9)	(15.6)	(3.6)	(15.5)	7.1
EPS (US cents)	(0.8)	(1.0)	(0.1)	(0.3)	(0.0)
DPS (US cents)	Na	na	Na	Na	na

Investment Case

- Fully funded for completion of Baita Plai Polymetallic Mine Testing in Romania, with positive confirmation of second batch tests likely to open up significantly cheaper funding (debt) from banks currently in talks with management in relation to the refinancing of the Atlas Capital Markets Tranche 1 Bonds.
- Recent positive assays indicate better than expected grade recovery is possible from Baita Plai (RNS-12/5/20), particularly with Cu as well as valuable by-products helping to achieve >\$10m FCF upon 13ktpm (management estimates).
- Recent receipt by VAST management that Chiadzwa Community JV to conclude soon with the official communication only slightly delayed due to COVID-19. Good relationships with key decision makers is likely to expedite the completion of internal processes and a positive decision likely in the next 4-6 weeks giving investors the opportunity to invest in an attractive, low capital cost diamond project which benefits from regional and governmental economic support.

- Experienced and well-connected board that have relevant mining experience, strong local government relationships with key decision makers and regional labour force connections that may facilitate permit approval and granting (particularly in Zimbabwe and local towns). Further updates expected in next 4-6 weeks with current indications that positive announcement is imminent.
- Opportunity to invest in diversified portfolio of assets (Copper, Zinc and Diamonds) with numerous value inflexion points throughout 2020 that partly de-risks idiosyncratic company risk and allow for the realisation of early combined +ve FCF circa \$10M - \$20M for the company as a whole, by 2020.

Company Information & Background

Towards the start of FY20, RNS announcements included a company update on COVID-19 as well as a positive grade date result (2/3 tests) for Baita Plai. An updated full operations index for Vast Resources currently includes: -

- **Baita Plai Polymetallic Mine***
- **Chiadzwa Community Concession Marange***
- BlueBerry Gold Project
- Manaila Polymetallic Mine
- Carlibaba Extension Project
- Magura Neagra Polymetallic Licence
- Piciorul Zimbrului Polymetallic Licence

**Key leading VAST projects for FY20-21*

Chiadzwa Community Concession Block (East Zimbabwe)

Marange diamond fields, known as Chiadzwa diamond fields located about 90km (55miles) southwest of the Eastern border city of Mutare. Covering approximately 80,000 hectares, they have been touted by numerous experts as the world's biggest diamond field in generations.

This asset is primarily composed of a JV (signed Sep 2019) with, a company designated to represent the Chiadzwa Community interests in the concession, (which subsequently resulted in the formation of Katanga Mining). A further JV between Katanga and a government entity (creating ZCDC) is set to be officially signed within the coming weeks which will provide immediate positive share momentum.

The Chiadzwa diamond field is regarded by many experts as the richest alluvial diamond deposit in the world at this time and could be an extension of the same geological system that is responsible for the Legacy Marange

Diamond fields (approx. 60 mcts since 2000). This concession covers 73km² with VAST management of the opinion that once operations are up and running yields of 2.0mcts/annum are achievable (equal to approx. \$20m annual sales – 60% GPM). Commercial production is likely to involve open cast mining with traditional X-ray analysis to identify diamonds. VAST incurs no security costs for maintaining the deeper diamond assets in and around Chiadzwa.

High Beneficial Agreement in ZCDC JV goes some way to reduce geopolitical and regulatory risks

It must be noted that given Zimbabwe's economic climate, they are very supportive of VAST's investment and those of others in the region given that a key aspect of the JV with ZCDC entitles the company to retain sale proceeds from the diamonds that are not required in Zimbabwe, offshore. This explains the historical divestment of VAST's 25% holding in gold operations (Pickstone peerless) as those prospective sales had to be made via the in-country refinery owned by the Zimbabwe Reserve Bank whereupon any remission of proceeds was tightly restricted by the Exchange Control Laws. Although geopolitical and regulatory risks are high for this region, the benefits clearly lie on the part of government and local authorities making it more likely in our opinion that positive news flow is seen in the coming weeks and months with regards to mining permits.

Recent equity raises (£1.5m in total – March - present)

Two recent successful equity raises (in which management participated), have potentially transformed FY20 CFs for Vast as the Baita Plai mine is now fully funded to complete all sample and grade testing, hopefully giving management the opportunity to confirm the positive two initial test grades. This in turn would offer lower IRR and shorter payback periods with associated higher debt coverage for third party lenders. Management are in discussions currently with at least two debt facility providers, of whom one is acting as preferred capital provider. Securing of debt under favourable terms allows for non-dilute debt funding to be in place and enables the refinancing of the Atlas Capital Markets Tranche 1 bonds. Baita Plai therefore represents the most valuable catalyst and inflexion point for Vast currently and whilst Atlas Capital Markets will be removed from the Romania projects, they remain a key investor and debt provider for Zimbabwe.

Baita Plai Polymetallic Mine (Romania)

This forms a leading brownfield polymetallic deposit in North West Romania for which an historic floatation processing plant is located nearby. The site has been on care and maintenance since 2013 (acquired by VAST in 2015) with the following production facilities already in place and only in need of restart: -

- Three working shafts – pumping capacity maintained whilst on care & maintenance
- Working tramway (1km long) – full working order
- Two ball mills – further single mill installed but requiring mechanic overhaul
- Two lines of floatation cells along with thickener tanks and filter processes (currently all in place)

Vast have just received the shipment of goods from China to be installed before re-commissioning and opening of mine in July 2020 and overall minimal capex is required to capitalise on the 80% interest that VAST has in Baita Plai with conservative expectations for +ve FCF and no debt within 24 months alongside, what now appears to be conservative grade expectations. The site also benefits from good infrastructure and independent power supplies with approximately \$65m of replacement cost already in place.

Other mining assets in Romania include Manaila (100%), an open pit Cu/Zn operation located in Suceava County in North Romania approximately 340km from Bucharest. The mining licence (exp. 2021), can be extended and covers not just the core 0.3km² area but a further option to extend across the adjacent pit (via Carlibaba extension – 1.4km²). The mine produced 0.5kt of Cu and 0.2kt of Zn prior to closure which equated to approx. \$3.0m of sales for which VAST management plan to reproduce at higher margins allowing for rapid +ve FCF within two years. The Blueberry project is due to be listed via primary offering later in the year to provide additional cash inflows and support asset development longer term.

Recommendations

During the three months to end-April 2020, the number of stocks on which AxCap247 has published recommendations was 0, and the recommendations were as follows: Buy-0; Speculative Buy-0; Hold-0; Sell-0.

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Company Name	Disclosure
Vast Resources	7

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