Vast Resources plc

Gearing up for launch

26 January, 2018

Vast has announced an off-take offer from Mercuria Energy Trading, one of the largest independent commodities groups globally. The four-year offtake for Manaila and Baita is coupled with a $9.5m pre-payment finance term sheet which should allow Vast to fully repay the Sub-Sahara bridging loan, accelerate debt repayments to Sub-Sahara, and crucially, allow Vast to execute and de-risk its expansion strategy in Romania.

Superior off-take. Vast has negotiated a four-year off-take deal covering 100% of copper and zinc production from Manaila and Baita, up until December 2021. Positively, Vast indicates that the pricing terms are significantly more attractive than the company's previous off-take contract. This is particularly good news considering that the off-take covers Baita Plai, where Vast anticipates producing a higher grade, higher quality concentrate than presently produced at Manaila. This means that Vast will retain a higher proportion of the value of the concentrate and benefit accordingly.

Coverage. The four-year off-take deal more than adequately provides coverage and stability over the time-period where Vast will be repaying debt to both Sub-Sahara ($4m) and Mercuria ($9.5m).

Robust Partner. Mercuria operates in over 50 countries and is a world leader in the trading of physical energy products and bulk commodities. We view the off-take as a strong endorsement of the potential of Vast's Romanian assets.

$9.5m Pre-payment Finance. We understand that Vast was not short of offers from off-takers. Several of these came with financing attached, and the company has spent time selecting the best balance between off-take and financing. The $9.5m pre-payment term sheet with Mercuria allows for funds to be drawn down in two tranches, Tranche A ($4m) on or before 5th March 2018, and Tranche B ($5.5m) from 1st July 2018. The term sheet is subject to typical business approvals, in addition to Vast convening a GM to grant authority to issue warrants as additional security for Tranche A, exercisable by Mercuria only in the event of default by Vast.

Acceleration of existing loan repayments. Vast has also entered into an MOU with Sub-Sahara Goldia Investments to repay the company's existing $1.68m bridging loan, and accelerate repayment of the outstanding $4m loan to be repaid by the end of 2019, 13 months ahead of schedule. This will result in considerable cost savings.

Pushing the button. The funding injection represents an important milestone for Vast, allowing the company to go full-steam ahead on its Romanian expansion plan without creating further dilution for shareholders. The financing will allow Vast to fully fund the two critical strands of this strategy. Firstly, the expansion of Manaila which includes building the new metallurgical facility and developing a second open pit at Carlibaba, and secondly, commencing production at Baita, subject to the grant of the licence.

We view the off-take and financing package as a considerable achievement for Vast, meeting all the company's short-term financing requirements in a non-dilutionary way, introducing better off-take terms and reducing future debt-servicing costs. Pending closure, we retain a 1.03p valuation for Vast's shares.

Company Data

EPIC	VAST
Price (last close)	0.64p
52 week Hi/Lo	0.78p / 0.25p
Market cap	£32.4m
ED valuation/share	1.03p
Shares in issue	5,113m
Avg. daily volume	149m

Share Price, p

Source: ADVFN

Company Description

Vast Resources plc is an AIM-quoted resource development company that converted from an exploration company to a mining company in 2015, with two operating mines; the Manaila polymetallic mine in Romania (100%), and the Pickstone-Peerless gold mine (25%) in Zimbabwe.

Vast has several growth projects, the most important being the planned re-start of the Baita Plai polymetallic mine (80%) in Romania, which the company plans to commission shortly.

Phil Swinfen (Analyst)
0207 065 2690
phil@equitydevelopment.co.uk

Hannah Crowe
0207 065 2692
hannah@equitydevelopment.co.uk

Head of Corporate

Gilbert Ellacombe
Direct: 0207 065 2698
Tel: 0207 065 2690
gilbert@equitydevelopment.co.uk

Investor Access

Hannah Crowe
Direct: 0207 065 2692
Tel: 0207 065 2690
hannah@equitydevelopment.co.uk

Justin Langen
Direct: 0207 065 2693
Tel: 0207 065 2690
justin@equitydevelopment.co.uk