

VAST Resources (VAST AIM)

04 October 2016

Stock Data

Share Price:	0.30p
Market Cap (M):	£9.6
EV (M):	£26.19

Price Chart



52 Week Range

0.14p		0.30p
1.60p		

Company Summary

Vast Resources was originally a Zimbabwean focused company called African Consolidated Resources. The opportunity to acquire some base metal assets in Romania changed the focus of the company and caused it to change its name to Vast Resources.

MAIN SHAREHOLDERS HOLDING

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St Annes Trustees LTD	6.80%
Sapi River Investments LTD	6.80%
Hargreaves Lansdown	6.58%
Toronto Dominion Bank	5.78%
Canacord Genuity Wealth	5.27%
Halifax Share Dealing	5.15%

Source: Bloomberg

Peter Rose

Tel: +44 (0)20 3463 5034

Peter.Rose@brandonhillcapital.com

www.brandonhillcapital.com

Good News for Manaila

Event

Vast Resources ("Vast") has announced an increase in the ore resources at Manaila. The total Indicated and Inferred Resources for both underground and open pit now stand at 2.91Mt grading 1.06% copper and 0.83% zinc with associated lead, silver and gold, based on a 0.25% copper cut-off grade. In a further announcement, Vast announced that the Manaila mine commenced zinc production in the first week in September.

Comment

These announcements are very good for Vast. Although the increases are in resources, not reserves, the increase is predominantly in the open pit material with only 0.31Mt in the underground. We do not know the conversion rate from resources to reserves but believe it will be quite high for the open pit. It has given us the confidence to extend the Manaila mine life by 18 months, until the end of calendar 2021.

Additionally, on the basis of the exploration conducted so far, Vast has announced an exploration target of between 4.45 and 11.88Mt of open pit material with potentially significant higher grades than the current resources. There is also an underground exploration target of between 5.9 and 15.78Mt at slightly higher metal grades again. Even if the lower tonnages were discovered, and the area is relatively under explored, it would result in a huge increase in resources and a firm basis on which to build a new and highly efficient mill.

The announcement regarding the zinc concentrate is more important in our view, if only because it will have an immediate impact on cash flows. Full scale zinc production commenced with 50t of concentrate in the initial commissioning during the first week of September, and the mine is targeting the production of 150t per month from October 2016 onwards. The grade of the concentrate has also been improving having increased from 18% zinc to 35% zinc during the month with an average grade of 27%. A grade of 35% zinc is being targeted.

The mine should benefit in several ways. Firstly, because there will be a better separation of the copper and other minerals, the grade of the copper concentrate should improve. Secondly, by adding a zinc concentrate to the sales, the revenue should be boosted significantly at very little addition to the operating costs. Lastly, the zinc concentrate contains payable quantities of gold and silver, which will give the revenue a further boost.

Overall these two RNS's are extremely good news for Vast and it is easy to draw parallels with their Pickstone-Peerless gold mine in Zimbabwe, which after a slow start is now exceeding all anticipations.

Research Disclosures

Peter Rose

Peter has 30 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 9 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

Tel: +44 (0)20 3463 5034

Peter.Rose@brandonhillcapital.com

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Trading Sell	Recommendation implies that the analysts' expected total return over the short term compared against the target price is negative.
Sell	Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative.

Research Disclaimers

Research disclosure as of 04 October 2016

<u>Company Name</u>	<u>Disclosure</u>
Vast Resources (VAST AIM)	1, 2, 7, 8, 9

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Brandon Hill Contact List

International Sales

Oliver Stansfield

Tel: +44 20 3463 5061

Email: oliver.stansfield@brandonhillcapital.com**Alex Walker**

Tel: +44 20 3463 5018

Email: alex.walker@brandonhillcapital.com**Pierre Iseux**

Tel: +44 20 3463 5024

Email: pierre.iseux@brandonhillcapital.com

Research

Peter Rose

Tel: +44 20 3463 5034

Email: peter.rose@brandonhillcapital.com**William Arnstein**

Tel: +44 20 3463 5020

Email: william.arnstein@brandonhillcapital.com

Corporate Finance & Broking

Jonathan Evans

Tel: +44 20 3463 5016

Email: jonathan.evans@brandonhillcapital.com**Wei Jiao**

Tel: +44 20 3463 5019

Email: wei.jiao@brandonhillcapital.com**Robert Beenstock**

Tel: +44 20 3463 5023

Email: robert.beenstock@brandonhillcapital.com