

MINING FLASHNOTE

VAST Resources (VAST AIM)

12 October 2016

Stock Data

Share Price:	0.29p
Market Cap (M):	£9.3
EV (M):	£20.1

Price Chart



52 Week Range

0.14p	0.29p	1.52p
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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

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

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Vast issues US\$2M one year interest free Convertible Loan Notes

Event

Vast Resources ("Vast") has announced that it has entered into a subscription agreement and a convertible loan note instrument with Bracknor Fund Limited ("Bracknor") under which Bracknor has subscribed for US\$2M convertible Loan Notes in the Company (the "Subscription") (the "Agreements") which may, under its terms, be used for general corporate purposes. Bracknor has also committed to subscribe over a two-year period for a further US\$3M Loan Notes in tranches of US\$1M each should Vast, without obligation, request this.

The Terms

- They are interest free
- They are unsecured
- They may be converted into ordinary shares of 0.1p each in the Company by Bracknor at any time during a 12 month conversion period immediately following the Subscription at a price equal to 90% of the lowest average price of the Shares in the 5 business days immediately preceding the conversion date. The average price for any day is determined as the value weighted average price of the Shares as shown by Bloomberg.
- At the end of the Conversion Period any unconverted Loan Note will automatically convert on that day.
- There is provision for repayment of Loan Notes, in cash, at a 15% premium to their face value at the option of either the Company or Bracknor in the event of major transactions in the life of the Company, being events resulting (other than for a group reorganisation where more than 50% of the voting power is retained by the holders of the voting power prior to the reorganisation) in a disposal of 50% or more of the group's assets, or a person (or persons acting in concert) becoming interested in more than 50% of the Ordinary Shares) or at the sole option of Bracknor in the event of a liquidity event being a suspension of Ordinary Shares, or a failure to list Ordinary Shares issued subject to a Conversion, for 10 consecutive trading days or for more than 30 days in any calendar year, or in the event of certain defaults by the Company.

Comment

This would appear to be expensive funding with Bracknor entitled to a US\$0.25M fee whether the Subscription is drawn down in full or not, and which is payable by the issue of the loan notes. There is a further fee of 5% of funds drawn down payable to Northland Capital Partners Limited in cash.

Brandon Hill anticipates that the majority of this funding will be applied to the optimisation of the Manaila project. Recent metallurgical developments have been very promising and we anticipate a very positive September quarterly production report. However, the zinc production line needs ongoing refinement and Vast is optimistic about producing a separate gold and silver concentrate. In addition, further exploration drilling is expected to expand the recently announced maiden JORC resource at Manaila. These

changes should make the mine solidly cash flow positive at today's metal prices.

Additionally, some of the monies will be spent on the drilling, evaluation and design of the Faneata Tailings Dam reprocessing facility and the initial payments associated with the Baita Plai Mining sub-licence once it is granted.

Research Disclosures

Peter Rose

Peter has 29 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 8 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.

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Hold	Recommendation implies that expected total return of between 15% and zero is expected over 12 months between current and analysts' target price.
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 12 October 2016

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

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