MINING FLASHNOTE

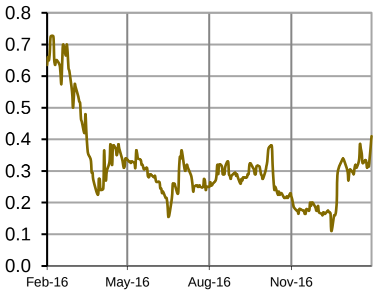
VAST Resources (VAST AIM)

30 January 2017

Stock Data

Share Price:	0.415p
Market Cap (M):	£18.8
EV (M):	£29.07

Price Chart



52 Week Range

0.105p	0.415p
0.775p	

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
Hargreaves Lansdown	9.62%
Barclays PLC	7.43%
Halifax Share Dealing	6.03%
Toronto-Dominion Bank	5.63%
St Annes Trustees LTD	4.80%
Sapi River Investment LTD	4.80%

Source: Bloomberg

Peter Rose
Tel: +44 (0)20 3463 5034
Peter.Rose@brandonhillcapital.com
www.brandonhillcapital.com

Vast Announces sale of 50% of its Zimbabwean assets for US$8M

Event

Vast Resources ("Vast") has announced that it has secured US$8M of new funding from SSCG Africa Holdings Ltd ("SSCG"), a dedicated African Investment Company with interests in Zimbabwe. This funding has been achieved through the sale of a 49.99% interest in Canape, Vast's vehicle which has a 50% interest in the Pickstone-Peerless Gold Mine ("PPGM") in Zimbabwe and the Giant Gold Mine. Mine for $4M and a long term loan for US$4M at 12% interest per annum ("Transaction").

Comment

Whilst we see this an excellent deal for Vast, as it addresses the ongoing funding requirements and provides sufficient funding to fully develop its Romanian assets. The Company has suffered considerably from raising capital through capital that has been highly dilutive, however, this new funding should provide the company with enough headroom to become cash flow positive from upgrading the operations at Manaila. Furthermore, the Company can also now accelerate plans to build resources inventory at Manila following their recent acquisition of new licences thereby addressing the current limited mine life.

This transaction has two components of US$4M each. The first US$4M comes from the sale of the half of Vast's interest in PPGM and the second tranche of US$4M is a long term loan to be drawn down in two tranches. There are several advantages to this Transaction:

1. It will halt the dilution of the existing Vast shareholders for the foreseeable future, and ensure the Company has sufficient capital to develop its portfolio in Romania. This has to be the right strategy as whilst PPGM was creating cash flow it was difficult for the Company to repatriate funds from Zimbabwe to group level given the currency exchange controls imposed in the country. We would expect that the Romanian assets to be far more valuable to shareholders of the company in the medium term.

2. However, the biggest advantage is that will enable Vast to proceed with the modernisation programme at Manaila, Vast's polymetallic mine in Romania, and am exploration programme on their extended lease areas. This is critical, as an extension to the current short mine life will enable the establishment of a new mill. This will be closer to the mine and far more efficient with a commensurate reduction in operating costs.

3. We would reasonably assume that the Company should become cash flow positive following the upgrading of the Manaila mine complex

4. Also when the Baita Plai mining licence is issued, Vast will now have the financial resources to recommission the mine. This is especially important as given the high grades of the resources at this mine is represents approximately 25% of the Brandon Hill valuation of $158M (NPV10) valuation for the group (prior to this transaction).

5. SSCG appear to be open to further investment in Romania which may provide the company with additional financial flexibility whilst looking to develop their portfolio.

6. Finally, this transaction reduces Vast's exposure to Zimbabwe, where political and economic risk is becoming a serious issue, whilst at the same time SSCG will provide funding for further projects in Zimbabwe and no doubt be a friendly partner in a difficult political and economic environment.

Brandon Hill will update their valuation of the group assets post Transaction in due course.

The Transaction

Vast has today entered two principal transactions with SSCG.

Cash

Vast will receive US$4M in cash following the sale of 49.99% of its interest in PPGM. Thus Vast will hold 25% interest in PPGM on net basis following the Transaction which gives the company flexibility to develop shareholder value in Zimbabwe in the longer term. One of the key issues historically for Vast was whilst the PPGM generated ample cash, Vast was unable to repatriate the cash and redeploy it in Romania given exchange controls. As a result all surplus cash in Zimbabwe was being earmarked for the exploitation of the sulphide mineralisation at PPGM and the evaluation of the Giant Prospect which would only deepen the exposure of the company to particular country and political risk. It should be noted that Vast will need to repay $1.7M debt to Grayfox, the joint venture party that holds the balance of PPGM. The company notes they are negotiating the early repayment of this debt.

Loan Agreement

SSCG has agreed to provide Vast a $4M loan (the "Loan"). This is subject to drawdown in two tranches of US$2M each. The loan is repayable in four years at an interest rate of 1 % per month and available to fund the overheads of Vast and to fund capital expenditure on the Vast's existing Projects in Romania.

Loan Purchase and Assignment Agreement and a Shareholders' and Subscription Agreement

By means of a loan purchase and assignment agreement and shareholders' and subscription agreement, Vast has made an effective disposal, subject to certain conditions precedent, of 49.99 % of its interest in Canape Investment (Private) Limited (Canape), which company has a 50 % interest in PPGM and the Giant Gold Mine (GGM) in Zimbabwe, in consideration of $4M and to negotiate with Grayfox regarding the early repayment of its loan.

Key Principal terms of the Loan:

- Early repayment may be made of the $4M at any time on 30 days' notice on payment of a 2% early redemption fee.
- Loan arrangement fee of 2%, which is added to the principal amount of the Loan.
- The loan is subject to the conditions precedent (a) that the Reserve Bank of Zimbabwe will approve the assignment of the loan and (b) that one or other of the SSA Agreements becomes effective by 7 April 2017 or such other later date as may be agreed between the parties

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 30 January 2017

Company Name	Disclosure
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

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

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