LETTER FROM THE CHAIRMAN OF THE COMPANY

Vast Resources plc

(Incorporated and registered in England and Wales with registered number 05414325)

Directors:
Brian Moritz (*Non-Executive Chairman*)
Andrew Prelea (*Chief Executive Officer*)
Roy Tucker (*Finance Director*)
Craig Harvey (*Chief Operating Officer*)
Eric Diack (*Non-Executive Director*)
Nick Hatch (*Non-Executive Director*)

Registered Office:
60 Gracechurch Street
London
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5 April 2019

To Shareholders of Vast Resources plc

Dear Shareholder

Disposal of an economic interest in 25.01 per cent. of Pickstone Peerless Gold Mine and associated assets

Change of accounting date

Extension of exercise period for Warrants issued under the 2016 Open Offer and related Placings

and

Notice of General Meeting 10.30 a.m. on 23 April 2019

1. Introduction

As mentioned in my letter to Shareholders of 22 February 2019 the main focus of the Company is its two growth opportunities: the Baita Plai Polymetallic Mine in Romania (Baita Plai) and the Heritage Diamond Concession in Zimbabwe (Heritage Concession). As also mentioned in that letter, following the non-receipt of US$5.5 million from Mercuria, the Company has been obliged to negotiate new terms with Sub-Sahara Goldia Investments (SSGI) in relation to the US$3.4 million owing to SSGI (the SSGI Loan) on which discussions were still ongoing.

In the light of this focus and these events, and also importantly for the reasons explained in Paragraph 5 below, the Board has decided that the Company should sell its 50.01 per cent. interest in Ronquil Enterprises (pvt) Ltd (Ronquil) through which it holds its remaining 25.01 per cent. economic interest in the Pickstone Peerless Gold Mine (Pickstone Peerless) and associated assets (principally the Eureka Gold Mine (Eureka)). The Company accordingly has concluded conditional contracts for the sale of its 50.01 per cent. interest in Ronquil (the Transaction) the key terms of which are described in Paragraph 2 below. As the turnover of Pickstone Peerless contributed on a consolidated (i.e. 100 per cent.) basis *inter alia* 89.9 per cent. of the Company's total revenues in the year to 31 March 2018, pursuant to Rule 15 of the AIM Rules the Transaction is deemed to constitute a disposal resulting in a fundamental change of business, and is therefore conditional on the consent of Shareholders being obtained at a General Meeting. The Company will however remain a minerals company under the AIM Rules given the remaining material minerals interests after the proposed disposal.

The Transaction, if approved, together with a further disposal as explained in Paragraph 3 below, will have the additional benefit of producing a material simplification of the Company's Balance Sheet and the elimination of some $38 million of liabilities shown therein as demonstrated in Paragraph 4 below. For this reason, the Board is recommending that the accounting period of the Company be extended by one month so that the next financial statements of the Company will be made up to 30 April 2019 in order to show the less complex Balance Sheet reflecting the assets and liabilities of the Company post completion of the

Transaction. As the decision to extend the accounting period is linked to the approval of the Transaction, the Board has decided that this change should also be approved by Shareholders.

There are currently 521,197,123 warrants (the Warrants) giving the right to subscribe for shares in the Company at 0.5p per share derived from the placings announced on 6 July 2016 and 11 August 2016 (the “Placings”) and the open offer approved on 30 July 2016 (the “Open Offer”). The Warrants expire on 30 June 2019, and since the Company’s share price is at the date of this letter below 0.5p the Warrants will have no value failing a substantial increase in the share price of the Company by 30 June 2019. Subject to approval by Shareholders, the Board would like to create goodwill to long-term Shareholders by extending the exercise period of the Warrants to 31 December 2019 so as to give the Shareholders who took part in the Placings and the Open Offer an increased possibility to benefit from the exercise of the Warrants. Additionally, this will provide the possibility of up £2.6million of additional funding for the Company’s working capital requirements.

To this end, the Board is proposing three resolutions at the General Meeting, all of which are proposed as Ordinary Resolutions. These can be summarised as follows:

Resolution 1 is to approve the Transaction

Resolution 2 is, subject to the passing of Resolution 1, to change the Accounting Reference Date of the Company to 30 April so that the next financial statements of the Company will be made up to 30 April 2019

Resolution 3 is to extend the exercise period of the Warrants from 30 June 2019 to 31 December 2019

The Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting.

You will find set out at the end of this document a Notice of the General Meeting. A Form of Proxy is also enclosed with this document. Completion of the Form of Proxy will not preclude you from attending the General Meeting and voting in person.

2. The Transaction

The Company has concluded a contract with, as parties, Southern African Trade Finance Ltd (SATF), a company registered in the British Virgin Islands, as the purchaser, and SSGI: and a second contract with, as parties, SATF, SSGI and Canape Investments (pvt) Ltd (Canape) the Company’s wholly owned Zimbabwean subsidiary, the combined effect of which is to assign the Group’s 50.01 per cent. interest in Ronquil to SATF. SSGI is a party to the contract as a ‘Confirming Party’ as it has a security interest pursuant to the SSGI Loan, and also is the parent company of the owner of the other 49.99 per cent. interest in Ronquil; but otherwise has no material interest in or benefit from the Transaction. The key terms of the combined contracts are as follows:

- The consideration from SATF is US$2.5 million payable outside Zimbabwe plus *RTGS$2.5 million (being US$1 million) payable in Zimbabwe.
- The US$2.5 million payable externally will be applied in part repayment of US$2.5 million of the SSGI Loan.
- The RTGS$2.5 million payable in Zimbabwe will be retained by SSGI as security until the SSGI Loan is repaid in full but if remitted from Zimbabwe may be applied in further repayment of the SSGI Loan.
- SSGI has assigned back to the Company a loan due from Canape of US$3,168,059 value dated at 31 December 2016. This loan was equitably assigned to SSGI as part of a larger transaction pursuant to the agreements with SSGI announced on 30 January 2017 in connection with the acquisition by SSGI and its subsidiary of a 49.99 per cent. interest in Ronquil.
- As a condition precedent that the Transaction must be approved by the Company’s Shareholders at a General Meeting no later than 23 April 2019.

* RTGS is the new currency introduced in Zimbabwe in February 2019. On the date that RTGS was introduced all internal US$ balances in Zimbabwe became RTGS$ balances on a 1:1 basis. However, at the same time a market rate of US$1 = RTGS$2.5 was established.

3. Disposal of Canape

After completion of the Transaction, Canape will have no material assets apart from RTGS$2.5 million which will remain charged to SSGI until the SSGI Loan is fully repaid. It will owe on loan account US$18,012,050 to the Company and US$11,669,995 due to SSGI, all value dated 31 December 2016 (together the Historic Loans). Neither principal nor interest is payable on the Historic Loans unless and until Canape has the ability to pay. If repaid they must be repaid pro rata save that the first RTGS$2.5 million may be repaid to the Company in priority.

In practical terms, there is no likelihood that the Historic Loans or interest thereon will ever become payable, however the liability to SSGI will remain on the Company's consolidated Balance Sheet whilst Canape remains a subsidiary of the Company. In order to resolve this matter on the Company's Balance Sheet, the Company is proposing that after the Transaction is completed the shares of Canape will be transferred to a trust under independent control for the benefit of Zimbabwe staff thus enabling Canape to be deconsolidated. As a result, the Historic Loan of $11,669,995 will no longer appear as a liability on the Company's Balance Sheet.

4. Financial impact of the Transaction

The table below summarises the financial statements of the Company as per the interim accounts at 30 September 2018 alongside pro forma restated financial statements at 30 September 2018 on the basis that the Transaction and the disposal of Canape had taken place immediately before 30 September 2018.

Income statement

	Reported 6 months to 30 September 2018 US$ 000	*Restated 6 months to 30 September 2018 US$ 000*
Revenue	21,942	2,613
Cost of sales	(16,431)	(3,233)
Gross profit/(loss)	5,511	(620)
Overhead expenses	(6,817)	(4,454)
Profit/(Loss) from operations	(1,306)	(5,074)
Finance income	26	–
Finance expense	(851)	(185)
Loss of disposal of interest in subsidiary loans	–	–
Profit/(Loss) before taxation from continuing operations	(2,131)	(5,259)
Taxation charge	–	–
Total profit/(loss) after taxation from continuing operations	(2,131)	(5,259)
Profit/(Loss) after taxation from discontinued operations	–	*12,185
Total Profit/(Loss) after taxation for the period	(2,131)	6,926
Other comprehensive income	955	955
Total comprehensive profit/(loss) for the period	(1,176)	7,881
Total loss attributable to:		
The equity holders of the parent company	(3,555)	5,502
Non-controlling interests	2,379	2,379
	(1,176)	7,881

* the amounts included within the profit/(loss) after taxation from discontinued operations are as follows:

	US$ 000
Gain on disposal of operation	9,057
Total profit/(loss) after taxation from discontinued operations	3,128
	12,185

Statement of financial position

	Reported 30 September 2018 US$ 000	*Restated 30 September 2018 US$ 000*
Assets		
Non-current assets	52,476	10,973
Current assets	15,233	4,380
Total assets	67,709	15,353
Equity and Liabilities		
Capital and reserves attributable to equity holders of the Parent	(4,277)	4,780
Non-controlling interests	23,731	80
Total equity	19,454	4,860
Non-current liabilities	29,568	6,086
Current liabilities		
Loans and borrowings	10,906	232
Trade and other payables	7,781	4,175
Total current liabilities	18,687	4,407
Total liabilities	48,255	10,493
Total equity and Liabilities	67,709	15,353

In interpreting the comparative figures it must be borne in mind that the assets, liabilities and results relating to Pickstone Peerless and to Eureka – all held through the Company's 50.01 per cent. interest in Ronquil – are, on account of the Company's historic controlling interest, consolidated under IFRS rules showing 100 per cent. of the results of the enterprise whereas the Company's net economic interest was only 25.01 per cent.

5. Reasons for the Transaction

There are several independent reasons why the Board is of the opinion that the Transaction is in the interests of Shareholders.

- The Transaction repays the majority of the SSGI Loan and gives the Company the ability to repay more through the RTGS$2.5 million further consideration. It should be noted that SSGI has a charge over the Company's 50.1 per cent. interest in Ronquil.
- Reducing the SSGI Loan gives the Company the ability to raise finance from other parties. It should be noted that SSGI's charge also extends to certain of the Romanian assets.
- The Transaction, together with the disposal of Canape, in addition to repaying US$2.5 million of the SSGI Loan, significantly reduces the other loan and liabilities on the Company's Balance Sheet so that in all there is a reduction of nearly US$38 million (US$10.493 million vs US$48.255 million). The liabilities eliminated – in addition to the US$2.5 million repaid to SSGI, the release of the US$3.168 million referred to in Paragraph 2 and the US$11.669 million referred to in Paragraph 3 – include liabilities in relation to the funding of both Pickstone Peerless and the not yet operational Eureka.

  Significantly reducing these liabilities and simplifying the Balance Sheet gives the Company the ability to be in a position to raise finance from other parties.
- The Transaction enables us to concentrate more fully on our main focus of Baita Plai and the Heritage Concession.
- On account of the Zimbabwe currency shortage the diamond regime in Zimbabwe is more attractive to investors than the gold regime.

Gold can only be sold to a state-owned buyer and 45 per cent. of sales revenues must now be retained in country in RTGS. The 55 per cent. paid in US$ is normally less than is required to make overseas purchases for the purpose of the operation, and the conversion of the RTGS to make such further payments as may be necessary is uncertain both as to the amount that may be realised and subject to long delays. The investment in Pickstone Peerless, and in Eureka for which substantial new capital is required, held the prospect of being locked in for a long period with no ability to remit profits.

Under the diamond regime on the other hand, most sales will be made overseas and it is believed it will be possible to remit or retain profits overseas.

6. Ongoing strategy for the Company

As already explained, the main focus of the Company is the two growth opportunity pivotal assets, Baita Plai and the Heritage Concession which the Board believes, when adequately financed, will produce near term remittable cashflow for the Company.

In relation to the Heritage Concession we are led to understand that we should be successful in making application that the area of the concession be included in a 'Special Economic Zone'. Such a designation will give the operation enhanced ability to receive and retain diamond revenues outside Zimbabwe and in addition will give exemption for customs duties on imports.

The detailed start up and operational plans for both assets are well advanced and subject in the case of the Heritage Concession to the final signature of the joint venture agreement the main bridge to cross in achieving profits and cashflow is obtaining the finance needed for both on terms which are as attractive to the Company as it is possible to obtain. On the basis of discussions with potential lenders the Board is of the opinion that the simplification of the Company's Balance Sheet, and in particular the major reduction in liabilities that flow from the Transaction, will be a major step in achieving the financing objective.

7. The extension of the Accounting Period

The reason for this proposal is very simply in order to accelerate publication of a simplified Balance Sheet of the Company relevant to the strategy going forward. In law the accounting reference date can be changed by a resolution of the Board, but in these circumstances the Directors wish to ensure that they have the support of Shareholders in making the change. Should the resolution be passed, the Company will be required to publish its audited accounts for the 13 month period ended 30 April 2019 by 30 September 2019.

8. The Warrant Exercise extension

This proposal is unconnected with the matter of the Transaction and the change of accounting date. It has been included as a proposal as a gesture of goodwill to our long-term Shareholders who took place in the 2016 Open Offer and the related Placings.

9. General Meeting and Action to be taken by Shareholders

Attached to this letter is a notice convening the general meeting to be held at the Company's Registered Office, 60 Gracechurch Street, London, EC3V OHR at 10.30 a.m. on 23 April 2019 to consider the Resolutions. The Resolutions if passed will approve the Transaction.

Shareholders have been sent a Form of Proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the General Meeting they are requested to complete and return the form of Proxy in accordance with the instructions printed thereon. To be valid, completed Forms of Proxy must be received by the Registrar as soon as possible, and in any event not later than 10.30 a.m. on 17 April 2019. Completion of a form of proxy will not preclude Shareholders from attending the meeting and voting in person if they so choose.

10. Recommendation

The Directors believe that the Transaction will promote the success of the Company for the benefit of the Shareholders as a whole.

The Directors unanimously recommend the Shareholders to vote in favour of the Resolutions to be posed at the General Meeting as they intend to do in respect of their own beneficial holdings amounting in aggregate to 81,712,431 ordinary shares representing approximately 1.09 per cent. of the existing ordinary shares.

Brian Moritz
Chairman
5 April 2019

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