

Q1 2018. Stripped back, ready to rock

9 May, 2018

A mixed bag this quarter. Production at Manaila was impacted severely by the planned winter shut-down, with mining and processing throughput well down. However, the green shoots of recovery were evident post-period end, with an increase in copper ore and concentrate grades, and concentrate production already running close to the target quarterly run-rate. Pickstone hit a record gold production quarter despite very high pre-stripping and heavy rainfall. With considerable remedial work undertaken at both operations, the outlook appears to be on the up.

Winter Bites at Manaila. The planned plant shut-down at Manaila materially affected Q1 2018 production figures. A typical practise in Romania during the severe winter months, but nevertheless frustrating for Vast, with the shut-down masking some of the positive impact of remedial work. The substantial decrease in ore mined and milled resulted in copper concentrate production of 386t, a decrease of 31% from Q4.

Remedial work was the focus. During the plant shut-down, Vast took the opportunity to undertake long overdue remedial work as new funding became available, the focus of which was pre-stripping, a critical activity to allow access to areas of higher grade ore. This work provides further confidence that the company is better positioned to meet its obligations under the recent off-take agreement with Mercuria. Once construction permitting is secured, Vast will commence work on the new Carlibaba metallurgical facility, which should de-bottleneck production and fix the challenging winter operating issues.

Reasons to be cheerful. Vast provided a glimpse of post-period performance from mid-March to mid-April, outlining the impact of remedial work. Vast reports that the last 15 days in March the copper grade increased to 0.84% Cu, and for the first 15 days in April, to 0.79% Cu. This was achieved with concomitant increase in copper concentrate grade. For the first 15 days of April, the copper con grade increased to 19.4% - the highest level since Q4 2016. Extrapolating the first 15 days of the new quarter's copper con production of 160t, implies a quarterly run rate of approximately 960t, close to September 2017's record quarter.

Record gold production at Pickstone. Despite a reduction in ore mined due to unseasonal heavy rainfall and an exceptionally high level of pre-stripping, total gold production for Q1 was 6,326oz, an increase of 4% over the 6,057oz in Q4. Lower tonnes were offset by higher milled gold grades which increased to 2.78g/t Au, from 2.46g/t Au, the highest milled grade achieved so far, impressive given that mined ore was supplemented with stockpile material. Vast expects that the plant should return to a run-rate of 30ktpm (90kt per quarter) going forward.

Sulphide plant nearing completion. The shortage of steel in Zimbabwe has hampered the final construction phases of the sulphide project, but this appears to have been rectified. The cold commissioning of the flotation section has been completed. and the ultra-fine grind mills are in the process of being installed and commissioned. This is a critical development as it will allow higher grade sulphide ore to be sent to the plant when required.

Valuation update. We have updated our model for the quarterlies and recent events. We have pushed back modelled production at Baita by 6-months to early 2019 pending the licence award. This and the poor quarter at Manaila is off-set by rolling forward our NPVs for Manaila and Pickstone at year end and a better outlook at Pickstone. We incorporate a nominal value (\$8.1m) for Vast's 23.75% economic interest in Eureka based on our typical \$25 EV/oz resource value benchmark for African developers. The net result is that our current valuation of Vast's shares increases to **1.19p/sh**, from 1.03p/sh.

Company Data

EPIC	VAST
Price	0.58p
52-week Hi/Lo	0.79p / 0.25p
Market cap	£29.5m
ED valuation/share	1.19p
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.

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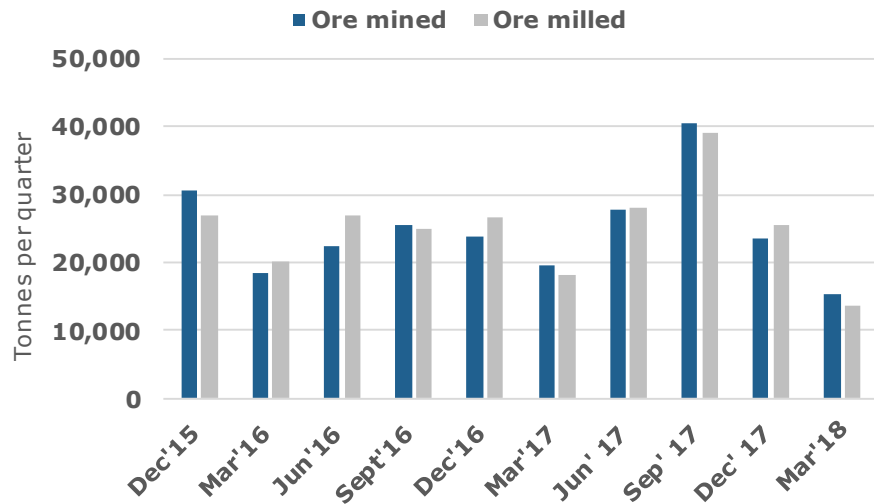
Manaila quarterlies

Winter Bites. The planned plant shut-down at Manaila materially affected Q1 2018 production figures. The December to February shut-down, a typical practise in Romania during the severe winter months, thus impacted production performance.

- Ore mined decreased 35% to 15.4kt in Q1, from 23.6kt in Q4 2017.
- Ore milled decreased 47% to 13.6kt in Q1, from 25.6kt in Q4 2017.

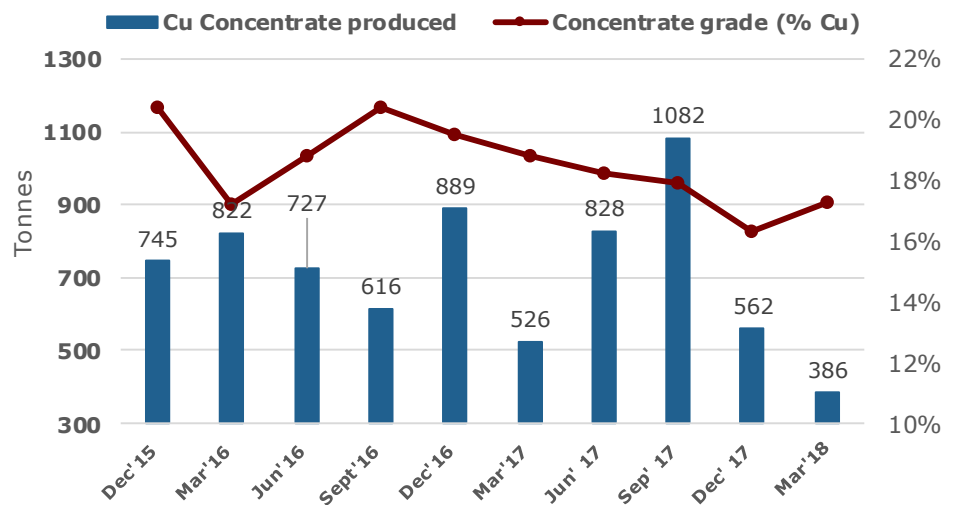
Naturally, this severely impacted the production of copper concentrate, with the company producing 386t during the quarter, a decrease of 31% from 562t in Q4. However, there are some reasons to be cheerful as the copper concentrate grade has started to tick back up.

Manaila – ore tonnes mined and milled – downward decline to be averted



Source: ED, Vast

Manaila – copper concentrate produced and con grade (% Cu)



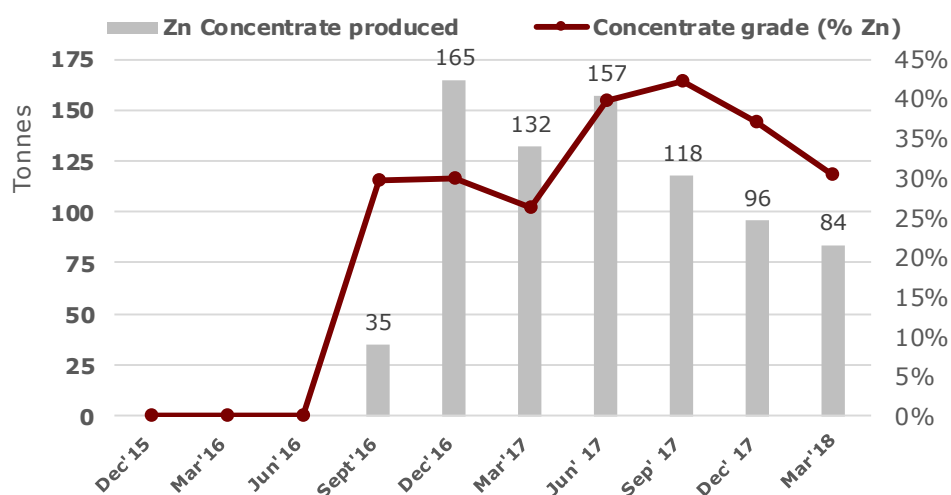
Source: ED, Vast

Focus on remedial work. During the plant shut-down, Vast took the opportunity to undertake long overdue remedial work in the mine. The focus of activity was firmly on pre-stripping, along with plant maintenance and repairs. The pre-stripping is critical as it will allow the company to access areas of higher grade ore and continue to process of ramping up to steady-state production.

New funding into the company meant that pre-stripping was given priority and the results have already started to be seen. Milled copper grade improved to 0.67% Cu in Q1, from 0.56% Cu in Q4 2017. Zinc head grades have also improved, increasing to 0.69% Zn in Q1, from 0.58% Zn in Q4 2017.

Zinc production and zinc concentrate remains highly variable, but we expect improvements moving into the June quarter.

Manaila – zinc concentrate produced and con grade (% Zn)



Source: ED, Vast

Post-period performance demonstrates improvement. The expecting improvement in production performance has already started to make a significant impact. Vast reports that the last 15 days in March the copper grade increased to 0.84% Cu, and for the first 15 days in April, to 0.79% Cu. For the same periods, the zinc grade has increased to 0.89% Zn and 0.91% Zn respectively.

This was achieved with concomitant increase in copper concentrate grade to 18.2% (last 15 days of March), versus 17.3% Cu in the Q1 period. For the first 15 days of April, the copper con grade increased again to 19.4% - the highest level since the December 2016 quarter. Extrapolating the first 15 days of the new quarter's copper con production of 160t, **implies a quarterly run rate of approximately 960t, close to September 2017's record quarter.**

The remedial work is well underway, which provides further confidence that the company is better positioned to meet its obligations under the recent off-take agreement with Mercuria.

Next up: Once construction permitting is secured, Vast will commence work on the new Carlibaba metallurgical facility, which should de-bottleneck production and fix the ghastly winter operating issues once and for all and reduce operating costs.

Pickstone Quarterlies

Another record production quarter for Pickstone, despite a reduction in ore mined due to unseasonal heavy rainfall and pre-stripping, an impressive achievement.

- Ore mined decreased to 65kt, from 90kt in Q4.
- Ore processed decreased to 80.6kt, from 86kt in Q4, with the mill feed supplemented from lower grade stockpiles.

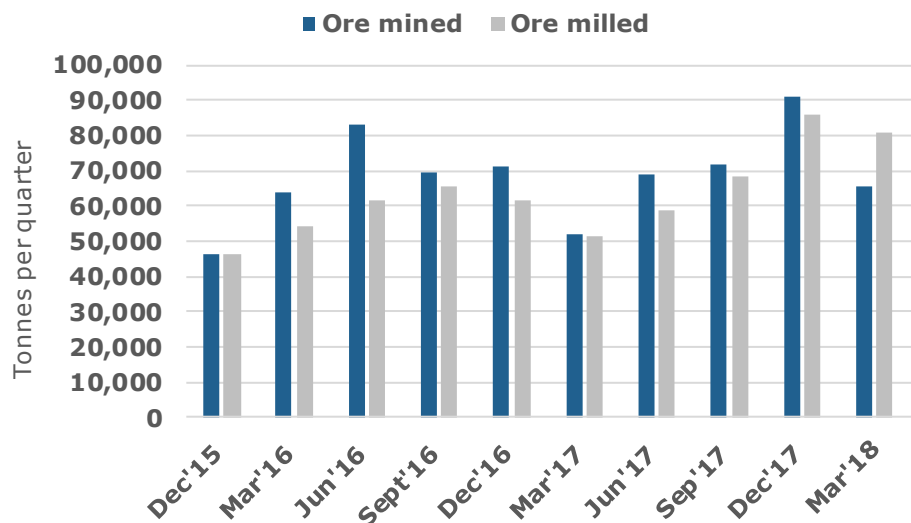
The lower ore tonnes mined was a result of the heavy rainfall with hampered ore access, and the exceptionally high-level of pre-stripping in preparation for the expected increase in ore tonnages in the coming months. The mill had some minor mechanical problems which were quickly rectified. **Vast expects that the plant should return to a run-rate of 30ktpm (90kt per quarter) in future quarters.**

Record gold production. Despite the lower ore mined and processed, total gold production for the quarter was 6,326oz, an increase of 4% over the 6,057oz of in Q4. This was a result of higher milled gold grades which increased to 2.78g/t Au, from 2.46g/t Au. The increase in grade is significant, the highest milled grade achieved so far, which we view as impressive considering that mined ore was supplemented with stockpile material.

Sulphide construction continues. The cold commissioning of the flotation section of the sulphide plant has been completed. The shortage of steel in Zimbabwe has hampered the final construction phases of the sulphide plant project, but this appears to have been rectified and the ultra-fine grind mills are in the process of being installed and commissioned.

This is a critical development as it will allow higher grade sulphide ore to be sent to the plant, with the ultra-fine grinding mills processing sulphide concentrate from the new flotation circuit. This should produce a material increase in grade (previously estimated at between 3-4g/t Au) as sulphide ore is accessed.

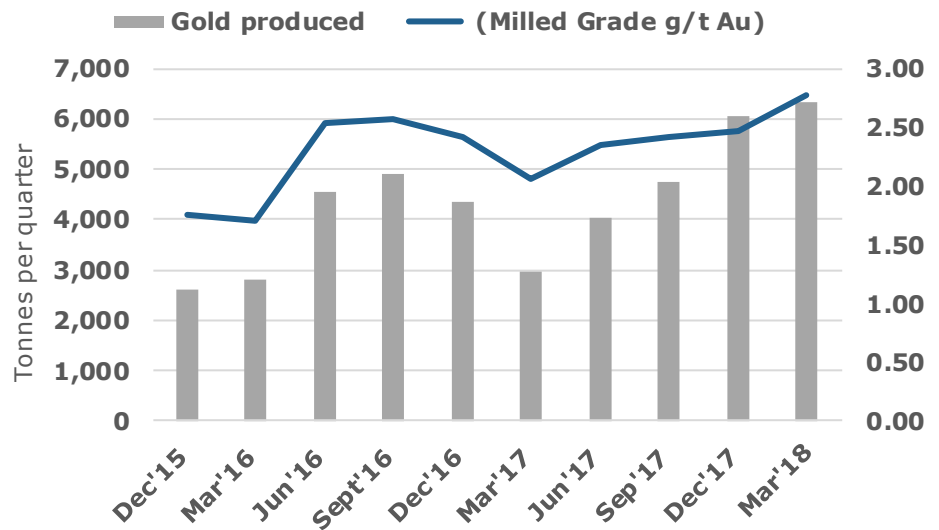
Pickstone – ore tonnes mined and milled



Source: ED, Vast

Record gold production from Pickstone, despite some operational challenges.

Pickstone – milled grade (g/t Au) and gold produced (ozs)



Source: ED, Vast



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