

RNS Number : 2516R
Vast Resources PLC
07 March 2016

Vast Resources plc / Ticker: VAST / Index: AIM / Sector: Mining

7 March 2016

Vast Resources plc

("Vast" or the "Company")

Equity Subscription for up to £0.8 million

Vast Resources plc, the AIM listed mining company with operations in Romania and Zimbabwe, is pleased to announce that, on 4 March 2016, it entered into an agreement with a number of existing shareholders (the "**Investors**") according to which they will subscribe, in four tranches, for new ordinary shares of 0.1p each in the Company ("**Ordinary Shares**") (the "**Subscription Shares**") and associated warrants in order to raise up to £0.8 million (together the "**Financing**").

The first tranche of the Financing, being £400,000, was completed on 4 March 2016 (the "**Issue Date**") at an issue price of 0.8 pence per new Ordinary Share resulting in 50,000,000 new Ordinary Shares being issued by the Company, conditional on admission to AIM. The Company also announces that it has issued 50,000,000 warrants to the Investors to acquire Ordinary Shares in the Company exercisable at any time until 3 March 2021 at a price of 1.04p per Ordinary Share, or otherwise, as described below. Subsequent issues of Subscription Shares and associated warrants (issued on the basis of one warrant per Ordinary Share subscribed for by the Investors) as part of the Financing are conditional, *inter alia*, on sufficient share issuance authorities being in place.

Terms of the Subscription Agreement

- Binding subscription agreement entered into between Vast and the Investors (the "**Subscription Agreement**") which provides for an investment of £0.8 million in Vast through the issue of Ordinary Shares to the Investors in four separate tranches, the first tranche being £400,000, receivable forthwith and each of the remaining three tranches being £133,333. The second tranche is payable on 3 April 2016 and the remaining two tranches at 90 day intervals thereafter ("**Investment Dates**").
- 50,000,000 new Ordinary Shares at an issue price of 0.8 pence per new Ordinary Share and 50,000,000 Investor Warrants are being issued by the Company to Investors on 4 March 2016,

conditional only on admission to AIM.

- The second, third and fourth tranches of Subscription Shares will be priced at the closing bid price of the Ordinary Shares on the trading day prior to each Investment Date.
- The Investors will also be issued with one (1) warrant for every one (1) Subscription Share issued (the "**Investor Warrants**"). 50,000,000 Investor Warrants are being issued by the Company on 4 March 2016, with existing share authorities being in place to allow for their exercise. Further details on the terms of the Investor Warrants and related commission payments are provided below.
- The Financing further increases funding security for the Company beyond that currently provided by Crede Capital ("Crede") and announced on 4 January 2016, at a key period in its development as it progresses its producing mining projects. The funds may be utilised for general working capital purposes.
- The Financing is staged to minimise dilution to existing shareholders whilst simultaneously providing maximum flexibility to the Company.
- The allotment and grant of Subscription Shares and associated Investor Warrants in respect of the remaining tranches (the "**Relevant Securities**") are conditional, *inter alia*, on sufficient share issuance authorities being in place. The Company will seek further share issuance authorities from its shareholders to issue the Relevant Securities if the Company does not have sufficient issuance authorities at any subsequent Investment Date.
- The Subscription Agreement includes warranties from the Company customary for an agreement of this nature.

Operational Overview

Manaila Polymetallic Mine ("MPM")

MPM has two installed ball mills and associated flotation circuits. At present one ball mill and part of the flotation circuits have been successfully re-commissioned, providing the mine with processing facilities of up to 10,000 tonnes of ore per month. Approximately 250 to 300 tonnes of copper concentrate are being produced per month. The single flotation circuit results in high levels of zinc and lead in the copper concentrate, thereby reducing the per tonne value of the concentrate. The unrecovered lead and zinc is reporting to the tailings and is therefore being lost.

In order to improve revenues it is necessary to: -

- Commission the second mill and flotation circuit
- Produce a copper concentrate with much lower levels lead and zinc

- Produce a high grade lead and zinc concentrate
- Increase monthly tonnages from 10,000 tonnes to closer to 20,000 tonnes
- Improve plant efficiencies
- Reduce transport and double handling costs

The funding from Crede has been facilitating and will continue to facilitate the above improvements for MPM, however, the staged instalments from Crede delays the full implementation of these improvements and the positive financial impact that they are expected to have. To reduce the impact of the staged funding, limited additional funding has been sought to accelerate the increased production at MPM.

Baita Plai Polymetallic Mine ("BPPM")

BPPM is being readied and prepared for the investment required for its restart post receipt of the association licence that is currently being processed by the authorities. As with MPM, the staged instalments from Crede result in the restart of BPPM being implemented over a longer period than would be possible if earlier funding were available. However, the limited additional funding now achieved for MPM will facilitate its accelerated start up and earlier cash flows and together with the subsequent instalments from Crede, are expected to enable the Company to bring BPPM into production sooner.

Pickstone-Peerless Gold Mine ("PPGM")

Gold production at PPGM is in line with expectations. Costs are stabilising in at anticipated levels and the higher gold price is improving revenues. The plant design capacity of 10,000 tonnes per month has been exceeded and is currently operating at 15,000 tonnes per month. The expected production of circa 30kg per month is being achieved as a consequence of this increased throughput, notwithstanding that artisanal miners who have now been removed from site have negatively impacted the grades through their mining in the shallower areas. Mine plans and grades are constantly being reviewed to maximise the grade of the ore fed to the mill. Grayfox and Vast continue to evaluate operational improvements and enhancements at PPGM.

Giant Gold Mine, ("**GGM**")

Examination is in process so as to decide the best option for the start-up of some small-scale mining at the 500,000 ounce GGM, whilst a better understanding of the potential of the mine is determined through exploration activities. The gold occurrence is open at depth and along strike and further drilling is necessary to determine the extent of the in-situ gold potential. Exploration work by former holders of the mining claims suggests that the mine has the potential, subject to the required drilling, of a larger resource.

Expansion and Development Options

The Company's options for utilisation of surplus funds post the expansion of operations at MPM, the restart of BPPM, and the receipt of the final tranches of the Crede investment include the following: -

- Estimated US\$350,000 for expanded phase one resource drilling at MPM as part of the overall drilling programme expected to cost a total of approximately US\$800,000 when finalised, which includes the work necessary to convert the MPM resources to the JORC Reporting Code;
- Estimated US\$500,000 for resource drilling at BPPM;
- Estimated US\$50,000 for auguring and assaying of the tailings dam at BPPM to assess the potential of retreating the dump for any contained minerals;
- Estimated US\$200,000 for upgrading the laboratory at MPM to facilitate assaying for gold and silver in concentrates prior to shipping; and
- Design and construction of a milling and flotation circuit at MPM to remove the transport costs of ore from the mine to the mill and flotation facilities at Iacobeni, 34 kilometres, and tailings 20 kilometres to the tailings facility.

Roy Pitchford, Chief Executive Officer of Vast, commented:

"2015 proved to be a very difficult year for resource and commodity companies. It witnessed the reduction in value of major and junior mining companies and, at the same time, raising capital, either by way of equity or debt, became extremely difficult, even for global miners, and almost impossible for juniors.

"The Company has faced additional financial constraints as a consequence of:

(a) lower commodity prices;

(b) delay in the commissioning of the Baita Plai mine due to protracted legal proceedings as a result of SC Mineral Mining SA, the company owning the mining assets of the Baita Plai mine, acquired by Vast being in administration and the need to transfer its assets to a solvent Vast subsidiary through the Romanian legal process of merger before commencement of the process for the issuance of the licence to mine.

"Whilst Vast is of the view that commodity prices will further improve on the recent gains seen in early 2016 particularly in gold and copper, there is no certainty that they will and it will be some time before junior mining companies will be able to secure funding from traditional sources. The fact that Vast has secured funding from both Crede and the board and management, and now from existing shareholders, has placed the Company in the enviable position of having sufficient funding to bring its two mines in Romania into full production. Any surplus funding will be used to

expand or increase operations in either Romania or Zimbabwe and support general working capital."

Application has today been made to the London Stock Exchange plc for the 50,000,000 Subscription Shares to be admitted to trading on the AIM market with admission expected to occur on 11 March 2016 ("**Admission**"). The issued Subscription Shares will rank *pari passu* in all respects with the existing Ordinary Shares.

Following Admission, the issued ordinary share capital of Vast will consist of 1,864,845,366 Ordinary Shares. There are no Ordinary Shares held in treasury, therefore the total number of voting rights in the Company, following the issue of the 50,000,000 Subscription Shares pursuant to Tranche 1, is 1,864,845,366.

The Warrants and related commissions

The terms of the Warrant Instrument

At each Investment Date, one (1) Investor Warrant will be issued to the Investor for every one (1) Subscription Share subscribed for. Each Investor Warrant will entitle the Investor to acquire new Ordinary Shares, with a five year exercise period. The terms of the Investor Warrants are covered in full under a separate warrant instrument entered into by the Company (the "**Warrant Instrument**").

For each Investor Warrant, the Investor may either (i) subscribe for one (1) new Ordinary Share at an exercise price equal to 1.04 pence in respect of the Investor Warrants issued on the Issue Date and at an exercise price equal to 130 per cent. of the closing bid price on the day prior to each Investment Date ("**Method 1 Warrant Exercise**"); or (ii) subscribe for such number of new Ordinary Shares calculated by dividing the aggregate Black-Scholes Value of the Investor Warrants held and to be exercised by the Investor by the closing bid price of the Ordinary Shares on the trading day two days prior to the date on which the Investor Warrant notice is issued, at a price per Ordinary Share equal to the nominal value of the Ordinary Shares (£0.001) payable in full on the trading day the Investor Warrant is exercised ("**Method 2 Warrant Exercise**").

"**Black-Scholes Value**" means the value of an Investor Warrant calculated using the Black-Scholes model as developed in 1973 by Fischer Black, Robert Merton and Myron Scholes, using the Economic Research Institute's Black-Scholes calculator, where the volatility shall be 135 per cent., the term of the Investor Warrants shall be deemed to be 60 months (regardless of the then actual remaining term of the Investor Warrants), the stock price in respect of the Investor Warrants issued on the Issue Date shall be 0.8 pence and in respect of the Investor Warrants issued on each subsequent Investment Date shall be the closing bid price of Ordinary Shares on the trading day immediately preceding the Investment Date and the option price shall be 130 per cent. of the Subscription Price.

The Company has the right to call the Investor Warrants at any time the Ordinary Share price is trading at a 25 per cent. premium to the exercise price of the Investor Warrant for a period of 20 consecutive trading days and the average daily trading volume of Ordinary Shares during this period exceeds £200,000 in value.

Commission

For each subscription of Subscription Shares by the Investors, a commission equal to 10 per cent. of the aggregate purchase price for the relevant Subscription Shares may become payable by the Company to the Investors in the event that the Investors subsequently subscribe for Ordinary Shares pursuant to the exercise of Investor Warrants under Method 2 Warrant Exercise. The commission is payable from the proceeds received from Investors under the Method 2 Warrant Exercise and under no circumstances can the commission payable exceed the level of such proceeds received. No commission is payable under any circumstances other than a Method 2 Warrant Exercise, as explained above.

The payment of commission is subject to further conditions and payment mechanics as detailed in the Subscription Agreement.

Further explanation of the Warrant Exercise methods

The Investors obtain value for the warrants by either Method 1 Warrant Exercise or Method 2 Warrant Exercise:

Under the Method 1 Warrant Exercise, which is simple to explain, the warrants can be exercised by subscribing for an equal number of shares priced at a 30 per cent. premium to the closing bid price of the Ordinary Shares on the trading day prior to each Investment Date. In respect of the first tranche of shares, the exercise price is $130\% \times 0.8p = 1.04p$.

Method 2 Warrant Exercise involves a Black-Scholes valuation, a valuation method widely used in valuing warrants or options in company accounts. The Black-Scholes value is based on a mathematical formula applied to basic input information. At any one time, the warrants will have a Black-Scholes value based on that formula which will take account, inter alia, of the share price at that time; the inherent volatility of the stock; and the life of the warrant.

Under Method 2 Warrant Exercise, warrants can be converted into Ordinary Shares. The warrants to be converted are valued on a Black-Scholes basis and such number of Ordinary Shares with equal value (based on the closing bid price two days prior to notification of the Method 2 Warrant Exercise) are awarded to the Investors in lieu of the warrants.

If Ordinary Shares are issued in exchange for the surrender of warrants under Method 2 Warrant Exercise, UK Company Law requires a monetary consideration for subscription for the shares of at least the nominal value of each Ordinary Share. This money consideration of 0.1p per share, being the nominal value of the Company's Ordinary Shares is therefore an additional cost payable by the Investors in exercising the warrants by Method 2 Warrant Exercise. In practise, any such money consideration will trigger, to the extent of that consideration but no more, a payment from the Company to the Investors on account of the 10 per cent. commission on the initial investments.

**** ENDS ****

For further information visit www.vastresourcesplc.com or please contact:

Vast Resources plc

Roy Pitchford (Chief Executive Officer) +40 (0) 372 988 988 - Office Romania
+40 (0) 741 111 900 - Mobile Romania
+44 (0) 7793 909985 - Mobile UK

Roy Tucker (Finance Director) +44 (0) 1622 816918
+44 (0) 7920 189012

**Strand Hanson Limited -
Financial & Nominated Adviser**

James Spinney www.strandhanson.co.uk
James Bellman +44 (0) 20 7409 3494

**Daniel Stewart and Company plc
- Joint Broker**

Martin Lampshire www.danielstewart.co.uk
David Coffman +44 (0) 20 7776 6550

**Dowgate Capital Stockbrokers Ltd -
Joint Broker**

Jason Robertson www.dowgatecapitalstockbrokers.co.uk
Neil Badger +44 (0)1293 517744

St Brides Partners Ltd

Charlotte Heap www.stbridespartners.co.uk
Susie Geliher +44 (0) 20 7236 1177

This information is provided by RNS
The company news service from the London Stock Exchange

END

IOEJRMMTMBIMBBF