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Ferro-Alloy Resources Limited / Index: LSE / Epic: FAR / Sector: Natural Resources

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Ferro-Alloy Resources Limited
(“Ferro-Alloy” or “the Company”)

Operations Update: Record Production Achieved

Ferro-Alloy Resources Limited, the vanadium mining and processing company with operations based in Southern Kazakhstan, is pleased to announce a production update on its existing vanadium concentrate processing operation (the “Existing Operation”).

Overview:

- **55% year-on-year increase in total production at the Existing Operation;** production of vanadium pentoxide for H1 2019 totalled 71.5 tonnes
- **Incremental improvements to Existing Operation already stepping up production;** record monthly production of vanadium pentoxide achieved in June 2019 of 17.6 tonnes
- **Building expansion and installation of new equipment to be completed Q3 2019** resulting in an anticipated significant increase of production during Q4 2019
- **Continuing development of the large Balasausqandiq Vanadium Project;** with a reserve of 70 million tonnes and NPV of \$2 billion at a long-term forecast vanadium pentoxide price of \$7.50/lb

Nick Bridgen, CEO, commented: “The expansion work at our existing vanadium concentrate processing operation is paying dividends resulting in a 55% increase in production over last year and increasing further from the level at the beginning of this year. There is still expansion work to be completed and new equipment to be installed that we anticipate will result in a significant step up in production in the final quarter of this year and in the first half of 2020. The Existing Operation provides a valued source of revenue for the Company that can be utilised for further general project development.

“The work at the Existing Operation is a stepping stone to the development of the Balasausqandiq Vanadium Project, with its reserve of over 70 million tonnes estimated on a locally required basis and NPV of \$2 billion at a long-term forecast vanadium pentoxide price of \$7.50/lb. The size of our deposit and our unique ore mean there is the potential to be one of the world’s largest and lowest cost producing vanadium mines, and the growing demand in the vanadium market, particularly with the increasing usage of vanadium batteries in clean energy storage, puts Ferro-Alloy in a very attractive position to capitalise on this opportunity.”

The Existing Operation

Production was maintained throughout H1 2019 with only minor interruptions in spite of significant levels of improvement and capital development work being carried out within the existing process plant. Installation of new equipment and the renovation of the existing belt filter meant that plant availability averaged only some 75% in the

period, though overall total production reached 71.5 tonnes representing a 55% year on year increase in comparison with H1 2018. The cumulative effect of the improvements resulted in record monthly production in June of 17.6 tonnes of vanadium pentoxide.

Production and shipment of vanadium pentoxide (contained in ammonium metavanadate)

	Six months to 30 June		Year-on-Year Increase	FY 2018
	2019	2018		
Production (tonnes)	71.5	46.0	25.5	125.0
Shipments (tonnes)	79.6	51.8	27.8	130.0

Shipments are included for which title has passed to the buyer according to IFRS 15

Shipment and production are subject to minor adjustment upon receipt by the buyer and independent assay which can be several months after the period end

Work to further expand and improve production at the Existing Operation continues apace including the:

- construction of a 990m² extension to the plant facility;
- installation of electrometallurgical and recrystallisation equipment;
- construction of a 15,000m² evaporation pond;
- construction of a connecting line and transformer station to the adjacent 110 kV power-line;
- addition of substantial new equipment to increase capacity of existing production processes; and,
- construction of supporting worker accommodation

Equipment delivered to site during H1 2019 includes:

- a rotating pre-roasting furnace for the pre-roasting of concentrates;
- a second main concentrate roasting oven;
- a furnace for the decomposition of ammonium metavanadate (“AMV”) into vanadium pentoxide;
- three new 16 cubic meters tanks with cooling systems for increasing the capacity for sedimentation of AMV;
- two new 16 cubic metre tanks with steam heating for the leaching with sodium carbonate of vanadium concentrates;
- a new 16 cubic metre tank for the preliminary leaching of roasted vanadium concentrates; and,
- a new press-filter

Incremental expansion and improvement work already completed has already resulted in record production reported in June 2019. Completion of the building expansion and installation and commissioning of the new equipment is targeted for around the end of Q3 2019 resulting in an anticipated significant increase in production in Q4 2019. Final stage of expansion to commence in Q4 2019, expected to result in another increase in production in H1 2020.

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Further information about Ferro-Alloy Resources Limited

The Company's operations are all located at the Balasausqandiq Deposit in Kyzylordinskaya Oblast in the South of Kazakhstan. Currently the Company has two main business activities:

- (a) the high grade Balasausqandiq Vanadium Project (the "Project"); and
- (b) an existing profitable vanadium concentrate processing operation (the "Existing Operation")

Balasausqandiq is a very large deposit, situated in Kyzylordinskaya Oblast in Southern Kazakhstan. The ore contains vanadium as the principal product, together with by-products of carbon, molybdenum, uranium, rare earth metals, potassium, and aluminium.

A reserve on the JORC 2012 basis has been estimated only the first ore-body number which amounts to 23 million tonnes, not including the small amounts of near-surface oxidised material which is in the Inferred resource category. The Reserves are estimated to be over 70m tonnes in ore-bodies 1 to 5 but this does not include the full depth of ore-bodies 2-5.

There is an additional existing concentrate processing operation is situated at the site of the Balasausqandiq Deposit. The production facilities were originally created from a 15,000 tonnes per year pilot plant which was then adapted to treat low-grade concentrates and is now in the process of being expanded and further adapted to treat a wider variety of raw-materials.

The Company has already completed the first steps of a development plan which is expected to result in annualised production capacity increasing gradually to around 1,500 tonnes of contained vanadium pentoxide. The development plan includes upgrades to infrastructure, an extension to the existing factory and the installation of equipment to increase the throughput and to add the facilities to convert AMV into vanadium pentoxide.

The strategy of the Company is to develop both the Existing Operation and the Project in parallel. Although they are located on the same site and use some of the same infrastructure, they are separate operations.