Ferro-Alloy Resources Limited / EPIC: FAR.L/ Market: LSE/ Sector: Mining

7 October 2020

Ferro-Alloy Resources Limited ('the 'Company')

Production & Progress Update

Ferro-Alloy Resources Limited (LSE: FAR) is pleased to announce a production and progress update for the nine months ended 30 September 2020.

Highlights

- 188 tonnes vanadium pentoxide produced in nine months to 30 September 2020, an increase of 72% on the same period in 2019
- Record 90 tonnes of vanadium pentoxide produced in Q3 2020, an increase of 135% over Q3 2019
- Progress made on commissioning equipment to extract molybdenum in the form of calcium molybdate or ammonium paramolybdate generating additional income
- Signed an agreement with the Institute of Metallurgy and Enrichment in Almaty, Kazakhstan, to start the production of commercial samples of vanadium electrolyte

Nick Bridgen, CEO, said: "*The good work achieved so far at the existing operation is paying off and this can be seen by the record levels of production seen in recent months, in particular during August, and that is notwithstanding the unreliable power supply and COVID-19 sometimes holding us back. With the recent funding secured, we will be further building the connection to the adjacent high voltage power line, as well as continuing to make enhancements to the process plant, and I am therefore confident that we should continue to see further increases in production in the near term.*

"The technology we recently developed for the production of electrolyte for vanadium flow batteries directly from ammonium metavanadate will allow us to take part in the growing clean energy revolution, and the agreement with the Institute of Metallurgy and Enrichment in Almaty to start the production of commercial samples will assist in our discussions with potential off-takers. We are already perhaps the only significant new producer that can provide the huge quantities of vanadium that will be needed without driving the price up to levels which are uneconomic for the vanadium flow battery industry.

"The commissioning of equipment to extract molybdenum from the high-grade raw materials treated in the pyrometallurgical line will provide a useful additional income without further raw-material costs.

"I look forward to providing further production and operational updates in due course."

Vanadium pentoxide production

During the first nine months of 2020, 188 tonnes of vanadium pentoxide were produced, an increase of 72% over the same period last year. Despite continuing COVID-19 restrictions, the Company achieved record production in the third quarter of almost 90 tonnes, including nearly 40 tonnes in August, an increase of 135% over the third quarter of 2019.

Period	Production (tonnes of vanadium pentoxide contained in AMV*)	*Growth vs last year*	Shipments (tonnes of vanadium pentoxide contained in AMV*)	*Growth vs last year*
Q1 2020	49.1	*+53%*	61.0	*+56%*
Q2 2020	48.9	*+25%*	48.2	*+19%*
Q3 2020	89.8	*+135%*	79.7	*+100%*
Nine months to 30 September 2020	187.8	*+72%*	189.0	*+75%*

* AMV: ammonium metavanadate

Production outlook

Whilst record production has already been achieved as a result of recent improvement work, further increases are expected to come in the remainder of the financial year and beyond. The converter oven to produce vanadium pentoxide from AMV, as well as improvements to washing and filtration, will be commissioned over the rest of this year, and completion early next year of the connection to the adjacent high-voltage power-line is expected to reduce plant disruption and down-time. The new power connection will also enable the Company to install the electric arc furnace which will complete the Company's plan to take production from the existing plant to 125 tonnes per month. The furnace, which has already been designed and contractors agreed, will enable the direct production of ferro-vanadium from high-grade concentrates, as well as ferro-molybdenum and ferro-nickel, and thus will capture more of the components of the raw-materials that we treat and our products will be higher along the value chain.

Molybdenum

The Company is in the process of commissioning equipment to extract molybdenum in the form of calcium molybdate or ammonium paramolybdate from the high-grade raw materials treated in the pyrometallurgical line. These materials contain significant by-product grades of molybdenum which are already taken into solution during the recovery of vanadium, and their recovery will provide additional income without further raw-material costs.

The Company has so far established the processes for the sorption, desorption and the removal of impurities and is now awaiting the arrival of additional filtration media for optimisation of final product preparation.

The Company is in discussion with potential customers with a view to starting shipments in the near future.

Vanadium electrolyte

The Company has recently signed an agreement with the Institute of Metallurgy and Enrichment in Almaty to start the production of samples of vanadium trioxide and tetroxide using the Company's newly developed technology. This work is intended to further test the technology and provide samples for analysis. Early-stage discussions concerning offtake and finance for the production facilities are ongoing.

Vanadium prices and Outlook

The price of vanadium pentoxide in Europe has remained in the range of US$5 – 6/lb over the last 14 weeks. This price is lower than historic averages, affected by the impact of the COVID-19 pandemic and summer holiday season. The Company is expecting prices to move upwards driven by increasing demand for construction steel as infrastructure projects are initiated to counter COVID-19 recessionary pressures and through growth from vanadium flow battery producers.

The Company continues to use a long-term forecast price of around US$7.50/lb, a little above today's level but lower than external forecasters and other vanadium project companies were using before the impact of COVID-19. Both the current market price and our long-term estimate would provide an exceptionally high margin to the company's forecast cash cost of production of US$1.54 from the development of the group's Balasausqandiq deposit.

For further information, visit www.ferro-alloy.com or contact:

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Ferro-Alloy Resources Limited
Nick Bridgen, Chief Executive Officer info@ferro-alloy.com

Shore Capital (Broker)
Corporate Advisory: Toby Gibbs / Mark Percy / John More Tel: +44 (0)207 408 4090
Corporate Broking: Jerry Keen

VSA Capital (Financial Adviser) Tel: +44 (0)203 005 5000
Andrew Monk / Simon Barton

St Brides Partners Limited (Financial PR & IR Adviser)
Catherine Leftley / Megan Dennison Tel: +44 (0)207 236 1177

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, with vanadium as the principal product, together with by-products of carbon, molybdenum, uranium, rare earth metals, potassium, and aluminium. Owing the nature of the ore, the capital and operating costs of development are very much lower than for other projects.

A reserve on the JORC 2012 basis has been estimated only for the first ore-body (of five) which amounts to 23 million tonnes, not including the small amounts of near-surface oxidised material which is in the Inferred resource category. In the system of reserve estimation used in Kazakhstan 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 existing concentrate processing operation 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 for the existing operation 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.