

Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR).

1 May 2020

**Ferro-Alloy Resources Limited**  
**("Ferro-Alloy" or "the Company")**

**Full year results deferral in response to FCA statement of policy**  
**Production, Operations & Finance Update and**  
**Appointment of Financial Adviser**

**Overview**

- Financial results deferred in line with FCA statement of policy
- Production of acid-recoverable concentrates temporarily suspended due to the unavailability of staff from Covid-19 restrictions but restarting in May 2020
- Other operations have continued but with slower progress on feasibility study due to travel restrictions during the Covid-19 pandemic
- First stage of expansion plan completed
- Outlook for Vanadium prices and high margins remains positive

Ferro-Alloy Resources Limited (LSE: FAR), the vanadium mining and processing company with operations based in Southern Kazakhstan announces that it will utilise the temporary relief measures implemented by the Financial Conduct Authority ("FCA") and the Financial Reporting Council ("FRC") regarding the publication of annual financial results during the COVID-19 pandemic. The Company will therefore defer the publication of its audited financial results for the year ending 31 December 2019 ("2019 Accounts"). The reason for the need to delay is that travel restrictions are in place internationally and so the reporting and auditing process is taking longer than usual.

The maximum delay permitted by the FCA exemption is two months; hence, following the deferral, the Company's reporting timetable for the 2019 Accounts means they must be published by no later than 30 June 2020. The Company expects to publish the 2019 Accounts in June 2020.

**Production update and shipment of vanadium pentoxide**

	Production (tonnes of vanadium pentoxide contained in AMV)	Shipments (tonnes of vanadium pentoxide contained in AMV)
Q3 2019	38.3	40.0
Q4 2019	43.1	35.7
Q1 2020	49.1	61.0

Work to further expand and improve production has continued and the second new roasting oven was brought into operation in February 2020, effectively doubling the capacity to treat high-grade concentrates. As described under the Covid-19 section below, the acid-recoverable treatment process for low-grade concentrates was temporarily closed in March 2020, leaving the new line as the sole operation for the remainder of the first quarter of 2020.

**Production outlook**

The Company has successfully completed the first stage of its expansion plan, including the construction of a 1,000m<sup>2</sup> extension to the plant facility, the installation of the new pyrometallurgical production facility including

two roasters and the new leaching circuit, and the improvement of the existing acid-recoverable production line. The completion of the connection to the adjacent high-voltage power line is well underway but currently stalled by the Covid-19 restrictions on the availability of our contractors. Although full use of the new facilities has not yet been possible, the capacity of the two lines is now up to 40 tonnes per month, depending on the vanadium grade of input raw materials.

Production from the low-grade acid-recoverable line is expected to resume in early May but the combined output will be somewhat restricted until the new power connection is completed.

### **Covid-19**

Kazakhstan has been significantly less affected by Covid-19 than many European countries but nevertheless, there have been over 3,000 detected cases and, sadly, over 25 people have died. With a population only some 28% of that of the UK, this is a relatively small but still serious outbreak. Kazakhstan was quick to respond and declared a state of emergency on 16 March 2020. Measures taken to control the spread have included a complete lock-down of several major cities, the temporary closure of non-essential businesses and industries, and an almost complete standstill on international and domestic travel.

The protection of the health and safety of our employees is our paramount concern and the Company has implemented all the measures recommended and required by the Kazakhstan authorities. So far, none of our employees has been affected and our operations have continued. However, the restrictions on travel have disrupted and curtailed operations in a number of ways which have reduced output and progress with our projects.

The Company's main operation in Kazakhstan is manned by two teams of workers, each working for half of the month while residing on site, followed by half of the month on leave. During the lock-down it was not possible to rotate the staff in the middle of April as usual. Furthermore, it has not been possible to bring some professional managers to site from their homes which in many cases are long distances from the operation and normally involve flights or long car journeys, or subcontracted staff for various tasks involved in the project work.

The Company has responded to these challenges by asking the team on site to stay on site for a second rotation, meaning they have worked for the entire month on site. Whilst certain professional managers have been retained on site, the more technically difficult production circuit that treats acid-recoverable concentrates was closed in March and our production was concentrated on the pyrometallurgical line treating higher grade concentrates.

The current state of emergency has been extended by the government to 11<sup>th</sup> May 2020 but the lock-down conditions have already started to be relaxed, with industrial and construction sectors, and certain types of services reopening in Nur-Sultan and Almaty. The Company is bringing in the new rotation of staff today and plans to re-start production from the acid-recoverable concentrates with the new team early in May, so that production from both lines will again be possible.

Progress on our feasibility study has likewise been slowed. Visits by specialists to site have not been possible, and although there is no curtailment of the shipment of samples, the necessary radiological examination in order to complete transport and import documentation has not been possible. The relevant institute is now slowly returning to work.

It is not possible to forecast the course of the Covid-19 outbreak, but Kazakhstan's early intervention and relatively strong countermeasures have enabled an early relaxation of controls and we are looking forward to a slow but steady return to more efficient operations.

### **Vanadium prices and outlook**

The price of vanadium pentoxide in Europe started the year at around US\$5.30/lb and is currently a little over \$7.00/lb. The price had fallen throughout 2019 from extreme highs of approaching \$30/lb in late 2018. The unusually high price in 2018 and early 2019 resulted in some substitution with what was then cheaper niobium and some production increases, resulting in an overcorrection which caused the price to fall below its expected long run level. Some recovery has already been experienced this year and more is predicted as substitution by

niobium is reversed and the high-cost production instigated by the exceptionally high prices becomes uneconomic to sustain.

The Company has been and continues to use a long-term forecast price of around US\$7.50/lb, close to today's level, which is a little lower than external forecasters and other vanadium project companies are using. Both the current market price and our long-term estimate provide an exceptionally high margin to the Company's forecast cash cost of production of US\$1.54, contained in the Competent Person's Report on our Balasausqandiq project by GBM.

Covid-19 is likely to affect world production and supply in the short term, but so far the price has been moving upwards overall. Longer term, the implementation of higher standards for construction steel throughout the world and increasing use of other alloys using vanadium are likely to increase demand for vanadium from its traditional markets. The roll-out of vanadium redox flow batteries for renewable energy storage, which was stalled by the exceptionally high vanadium price in 2018 and 2019, is now expected to resume and grow to be a very significant additional market for vanadium.

### Financing

At the time of the Company's listing in March 2019, the Company outlined its expansion plans of which around half have been completed. As announced in December 2019, the nature of the fall in the vanadium price in 2019 was further and faster than expected and impacted the profitability and cash flows of the Company, particularly during the period when production was limited by the implementation of the expansion and Covid-19 restrictions. The Company's previous forecasts, based on a slower fall in vanadium prices over 2019 and 2020, would have been sufficient to meet the capital expenditure requirements for the completion of the expansion out of operating cash flows but the reduction in vanadium prices has reduced the cash flows available. The Company has limited excess cash at this time but we are mindful that in the current Covid-19 environment it is important to raise capital only on terms that will be advantageous to existing shareholders and, in conjunction with our advisers, have commenced discussions with multilateral institutions, strategic partners and global capital providers in the mining industry. We expect to report further on progress on these initiatives at the time of the announcement of our Final results in June.

### Appointment of new Financial Adviser

We are pleased to announce that VSA Capital has been appointed as a financial adviser to the Company alongside the Company's existing broker, Shore Capital. VSA will be providing research services going forward. VSA has unique knowledge of the Vanadium space through their long involvement in mining and also Vanadium Flow Batteries.

For further information, visit [www.ferro-alloy.com](http://www.ferro-alloy.com) or contact:

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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. 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 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 rawmaterials.

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.