This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018

28 September 2021

Ferro-Alloy Resources Limited ('FAR' or the 'Company' or the 'Group')

Interim Results for the six months ended 30 June 2021

Ferro-Alloy Resources Limited (LSE:FAR), the vanadium producer and developer of the large Balasausqandiq vanadium deposit in Southern Kazakhstan, announces its unaudited interim results for the six months ended 30 June 2021.

Highlights:

- Improved financial results from existing vanadium processing operations reflecting higher realised prices offset by lower production due to Covid-19 related impacts that have now been largely resolved:
    - Vanadium pentoxide prices rose 63% from US$5.2/lb in January 2021 to US$8.5/lb over the period;
    - Prices for molybdic oxide and ferro-molybdenum grew 109% and 83% respectively

- Enhanced financial position to support new Balasausqandiq vanadium project development with US$8.2m in cash as at 30 June 2021 (2020: US$0.7m)
    - Strategic Investment led by Vision Blue Resources Limited, with US$10.1m invested to date

- Significant incremental operational progress achieved to support increased production and enhanced product mix at existing operation:
    - Test programme with Fraunhofer ICT institute launched on Company's products for electrolyte production

- Board strengthened with the appointment of Sir Mick Davis, former Xstrata CEO, as Chairman and Peet Nienaber, former head of Xstrata Alloys, as a Non-Executive Director

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

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Summary

During the period we continued to successfully deliver on our strategy of expanding our existing operations while progressing plans for the rapid development of the transformative Balasausqandiq vanadium project in parallel.

The expansion of production capacity to around 1,500 tonnes of saleable vanadium product per year is proceeding as planned. Some significant infrastructure upgrades have been completed and others are continuing and we have completed the installation of equipment to increase production capacity, convert AMV into vanadium pentoxide and produce ferro-molybdenum. We expect to achieve the first sales of ferro-molybdenum, vanadium pentoxide and possibly ferro-vanadium in the second half of the current year, providing enhanced revenues.

We have also worked with the Vision Blue team during the period to refine and expand the Bankable Feasibility Study on the large scale, low cost Balasausqandiq Project which has the potential to become the lowest cost producer of vanadium globally. As part of this process, a drilling programme has been developed to confirm sufficient reserves on a JORC Indicated basis to feed both Phase 1 and Phase 2 of the planned operations. The results of the Bankable Feasibility Study are expected during the last quarter of 2022.

The prices of vanadium pentoxide, molybdic oxide and ferro-molybdenum rose by 63%, 109% and 83% respectively in the period, underlining our confidence in the long-term prospects for the Company's products.

The investment climate in Kazakhstan continues to further improve with the country receiving US$3.9 billion in foreign direct investment last year driven by growing investment in mining, transport, financial services, telecommunications and energy.

Balasausqandiq feasibility study

Development of the large Balasausqandiq vanadium deposit continues in parallel with the Company's Existing Operations.

The Company has expanded the scope of the feasibility study to include both Phase 1 (1 million tonnes per year of ore treated) and Stage 2 (a total of 4 million tonnes of ore per year). This expanded feasibility study is fully funded, including a drilling programme that has been developed to confirm that reserves on a JORC Indicated basis are sufficient to feed the expanded Phase 2 production. Drilling is expected to commence in November 2021 and to be completed in the first half of 2022. The current contract is for 13,900 metres but with the potential to increase up to 20,000 metres.

The Company has supplied SGS (Lakefield) with 600 kg of sample for technological testing. The work is supported by Coffey/Tetratech Group with the purpose of proving the technology that was developed by the Company at its pilot plant operations. A further 450 kg of samples for variability testing have been selected and are being prepared for despatch.

Existing Operations

New products

Until late in 2020, the Group's only vanadium product was ammonium metavanadate (AMV), an internationally traded product from which vanadium pentoxide is made by heating to dissociate the ammonia for collection and recycling. AMV is usually sold at a discount from published vanadium pentoxide prices. Conversion of this AMV to vanadium pentoxide has now commenced, improving the Company's ability to obtain more favourable prices in future.

During the period under review we started the conversion of our calcium molybdate by-product into ferro-molybdenum, a higher value product, using the alumothermic process, with production of up to five tonnes of ferro-molybdenum expected each month depending on the type and molybdenum grade of the raw-materials treated.

The Company is now selling 100% of its residues from operations as low-grade nickel concentrates meaning no waste products from operations are retained on site.

Electrolyte for vanadium flow-batteries (VFBs)

After the end of the period, the Company signed an agreement with Fraunhofer ICT Institute in Germany, which carries out investigations on various vanadium electrolyte compositions and battery performance, to explore the Company's product's suitability for industrial electrolyte production for vanadium flow-batteries. Samples have been shipped and work has commenced.

In addition, in September 2020, we reported that the Company's specialists had developed a new process for the production of electrolyte for VFBs directly from ammonium metavanadate, a more economical process. A Kazakhstan patent for the technology has recently been received.

Powerline

Connection to the high-voltage line was completed on schedule and on budget in June 2021. A delay by the suppliers of the automated control and metering system required by the line's owners has pushed back the planned switching-on into October.

Infrastructure

A new laboratory with upgraded equipment has been built adjacent to the process plant which will help to meet customer requirements. The Company has also constructed a new warehouse for vanadium concentrates and finished goods.

Production

During the period ended 30 June 2021, production of vanadium pentoxide (V2O5) amounted to 88.2 tonnes, 9% below the corresponding period in 2020. The decline was caused by interruptions in the supply of vanadium concentrates caused by Covid-19 restrictions and a worldwide shortage of containers. From June 2021, supplies have started flowing normally and more than usual stocks have now been received to allow production to return to normal. 25.3 tonnes of calcium molybdate was produced in the period, compared with none in the first half of 2020 as production only started in the second half of 2020.

Quarter (2021)	Production of Vanadium Pentoxide (tonnes of vanadium pentoxide contained in AMV*)	Change from 2020	Production of Molybdic Oxide (tonnes of molybdic oxide contained in calcium molybdate)
Q1	57.4	+20%	21.9
Q2	30.8	-37%	3.2
H1 2021	**88.2**	**-9%**	**25.3**

* AMV: ammonium metavanadate

Outlook for the Existing Operation

Raw-materials supplies have returned to normal pre-covid levels, and consequently production in H2 is expected to be substantially higher than H1. Some bottlenecks have been experienced during the ramp-up of production which started in June and July 2021 and these are being addressed with a programme of improvements that are expected to unfold over the next three months.

Looking further ahead, the Company is procuring an electric arc furnace which can further double production capacity. This furnace will be used to produce ferro-vanadium directly from raw-material concentrates without first producing vanadium pentoxide, and it will also be used for the production of by-product ferro-nickel, a higher value product than the low grade concentrate currently being sold.

Revenues during H2 2021 are expected to increase not only by the expected ramp-up of throughput but also by the sales of the new products, ferro-molybdenum, vanadium pentoxide, nickel concentrate and possibly ferro-vanadium as described above.

Corporate

Further to the Subscription Agreement signed in March 2021 with Vision Blue Resources, a total of US$10.1m has been invested to date, made up of US$4.2m of Convertible Loan Notes and the remainder as equity. The Convertible Loan Notes will be converted into equity at the price originally agreed in March 2021 of 9 pence per share when to do so will not trigger the requirement for the Company to issue a new prospectus.

The proceeds of the funding package will be used to complete the expansion of the existing processing facilities and complete the Balasausqandiq feasibility study**.**

Under the terms of the investment agreement, Vision Blue Resources have options to invest a further US$2.5m at 9 pence per share, US$10m at 25 pence per share and US$20m at 78 pence per share at various milestones.

This strategic relationship with Vision Blue Resources included the appointment of Sir Mick Davis as Chairman, and subsequently Mr. Peet Nienaber as a Non-Executive Director. The experience, knowledge and contacts of both individuals will continue to play an important role as the Company develops.

Since the start of 2021 the Company has raised US$475,829 from the issue of 242 bonds, with 58 issued in February and a further 184 issued on 12 March 2021. All the bonds have been issued on the Astana Stock Exchange ("AIX") with a nominal value of US$2,000 each, have a coupon of 5.8% payable twice-yearly, are unsecured and are repayable on 17 March 2023.

Product prices

In 2021 the published price for vanadium pentoxide rose from US$5.2/lb in January 2021 to US$8.5/lb over the period and is currently around US$8.8/lb.

Prices for molybdic oxide and ferro-molybdenum grew strongly during first half of 2021. Molybdic oxide increased from US$9.25/lb at the beginning of 2021 to US$20.00 now. Ferro-molybdenum followed a similar trend with an increase from US$22.9/kg in the beginning of 2021 up to US$44 now.

COVID-19

Although the major effects of Covid-19 on the delivery of raw-materials appear to be over, some minor disruptions are continuing. Quarantine requirements and transport restrictions continue to be imposed periodically and restrictions on foreigners coming to Kazakhstan are continuing, making it difficult to bring international specialists to site for the commissioning of new equipment or other studies.

The Company requires all employees arriving on site to have either a PCR test or a vaccination passport. By the beginning of September 2021, 95% of the site workforce had been vaccinated and no cases of illness have been detected.

The level of cases in Kazakhstan reduced in recent weeks to around 2,000 cases per day. According to official sources, the current level of vaccination is around 7.3 million people out of a population of 19 million, or around 38%.

Earnings and cash flow

The Group generated total revenues of US$1.5m for the period compared to US$1.1m for the first six months of 2020, reflecting the higher market prices. However, the delayed delivery of vanadium concentrates has curtailed production.

The cost of sales reduced to US$1.5m from US$1.9m for the first six months of 2020, reflecting primarily the cost of concentrate that was treated during the first half of 2020 comparing to new concentrate costs in the first half of 2021.

Administrative expenses amounted to US$0.8m, (H1 2020: US$0.8m).

The Group made a reduced net loss before and after tax of US$1.1m (H1 2020: loss of US$1.7m) reflecting the greater gross income received during the first half of 2021 (US$0.056) compared with a gross loss in the first half of 2020 (US$0.8m).

Net cash outflows from operating activities totalled US$1.3m, (H1 2020: cash outflow US$0.7m). Investment activities and capital expenditure increased significantly, with net cash outflows from investing activities totalling US$1.6m (H1 2020: US$0.074m). Investment was made mainly in the Balasausqandiq feasibility study. Net cash inflows from financing activities totalled US$10.1m (H1 2020: US$0.7m) being the proceeds, net of commissions, from equity and convertible loan notes raised with Vision Blue Resources and bonds issues.

Balance sheet review

Non-current assets totalled US$6.4m at 30 June 2021 (2020: US$5.1m), reflecting investment in the feasibility study and investment into completion of the construction of the high-voltage line.

Current assets excluding cash balances totalled US$1.6m compared with US$0.9m at 31 December 2020. Higher trade and other receivables and prepayments were offset by lower inventory levels.

The Group had cash of US$8.2m at 30 June 2021 (2020: US$0.7m).

Description of principal risks, uncertainties and how they are managed

(a) Current processing operations:

Current processing operations make up a small part of the Group's expected future value but provide useful cash flows in the near term and allow the group to gain valuable experience of the vanadium industry. The principal risk of this operation is the price of its product, vanadium. The price of vanadium pentoxide is volatile and rose from historic lows at the beginning of 2016 to a near-record high of nearly US$30/lb near the end of 2018. Currently, the price of vanadium pentoxide is at around US$8.8/lb which is a little less than the inflation-adjusted ten-year average to date. Most forecasters anticipate that vanadium will be in deficit in the short to medium term, resulting in some recovery in current prices, and will return to the long-run marginal cost of production in the longer term which may be substantially higher. The Company acquires raw materials at a cost that is related to the price of vanadium so there is a natural hedge but there is a risk of changes in vanadium prices between the time of acquisition of the raw materials and sale of the product which cannot be entirely avoided.

The processing operation is also dependent on the continuing availability of raw materials which are subject to competition from other processors. The Company is mitigating this risk by positioning itself to treat a wide variety of potential raw-materials and maintaining low treatment costs, whilst extracting the maximum value from by-product constituents.

The level of profitability of the current processing operation is also dependent on production levels being sufficient to generate profits to cover fixed overheads. The level of production could be impacted by unanticipated production difficulties, power outages and raw-material delivery limitations. The Company aims to keep a stockpile of raw-materials and has installed a larger capacity generator to maintain production during outages.

The Company is currently carrying out various expansion projects which will lower the average cost of production and as part of this project, has connected to a larger capacity and more reliable power supply which is expected to start delivering power shortly. A substantial part of this expansion has already been completed.

There remains a risk that the Covid-19 crisis worsens in Kazakhstan. This could cause further disruption to supply-lines, staffing and subcontractors as has already occurred, but it is also possible that a case might arise on site requiring a temporary shutdown of operations. In addition, Covid-19 may impact the availability of finance or the terms which are available. Whilst it is not possible to guard against this, the Company continues to take all recommended precautions, including a very high level of vaccination amongst employees, and will aim to maintain higher than normal stores of essential supplies on site. In terms of funding, cash flows are monitored on a continuous basis to enable the Company to take proactive measures to safeguard liquidity.

(b) Financing risk:

The Company is in stronger financing position relative to the prior year. In March of 2021 the Company signed an investment agreement with Vision Blue Resources. Under the terms of this agreement, investment of US$10.1m has already been made which is expected to be sufficient to finance the completion of the expansion of the existing plant and the feasibility study.

(c) Climate change risk:

Although no specific risks to the Company's operations have been identified, the Company's operations could be subject to extreme weather conditions and the prices of its products may be subject to changes in the world's economy caused by climate change. Kazakhstan is planning to publish a document entitled "A concept of low carbon development by 2050" which is not yet publicly available.

(d) Risks associated with the developing nature of the Kazakh economy:

According to the World Bank Kazakhstan has transitioned from lower-middle-income to upper-middle-income status in less than two decades. Kazakhstan's regulatory environment has similarly developed, and the Company believes that the period of rapid change and high risk is coming to an end. Nevertheless, the economic and social regulatory environment continues to develop and there remain some areas where regulatory risk is greater than in developed economies.

(e) Balasausqandiq project:

The Balasausqandiq project is a much larger contributor to the Group's value than current operations and its value is primarily dependent on long term vanadium prices.

The Project is also dependent on raising finance to meet capital costs anticipated to amount to in excess of US$100m for the first phase. Raising this money will be dependent on the successful outcome of the western bankable feasibility study which is ongoing. The favourable financial and other characteristics of the Project determined by studies so far completed give the directors confidence that the outcome of the study will be successful. Initial discussions with the providers of finance, including with the Development Bank of Kazakhstan for which our project has passed through initial screening, have been encouraging.

Responsibility statements

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

a) the Condensed set of Interim Financial Statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein); and

d) the condensed set of interim financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R.

This Half Yearly Report has been approved by the Board and signed on its behalf by:

James Turian

Director

27.09.2021

Condensed unaudited Consolidated Statement of Comprehensive Income

	Note	Unaudited six-month period ended 30 June 2021 $000	Unaudited six-month period ended 30 June 2020 $000
Revenue from customers (pricing at shipment)	2	1,520	1,172
Other revenue (adjustments to price after delivery and fair value changes)	2	27	(44)
Total revenue	2	1,547	1,128
Cost of sales	3	(1,491)	(1,903)
Gross income		**56**	**(775)**
Other income		8	-
Administrative expenses	4	(849)	(766)
Distribution expenses		(218)	(55)
Other expenses		(2)	([illegible]
Loss from operating activities		**(1,005)**	**(1,598)**
Net finance costs	6	(78)	(111)
Loss before income tax		**(1,083)**	**(1,709)**
Income tax		-	(1)
Loss for the period		**(1,083)**	**(1,710)**
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		145	(275)
Total comprehensive (loss) income for the period		**(938)**	**(1,985)**
Loss per share (basic and diluted), US$	14	(0.003)	(0.005)

These consolidated financial statements were approved by directors on 31 August 2021 and signed by:

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James Turian

Director

Condensed unaudited Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2021 $000	31 December 2020 $000
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,705	2,800
Exploration and evaluation assets	8	1,158	813
Intangible assets	9	21	21
Prepayments	12	2,489	1,467
Total non-current assets		**6,373**	**5,101**
Current assets			
Inventories	10	480	694
Trade and other receivables	11	685	205
Prepayments	12	393	52
Cash and cash equivalents	13	8,158	707
Total current assets		**9,716**	**1,658**
Total assets		**16,089**	**6,759**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	41,252	35,606
Convertible loan notes	14	4,019	-
Additional paid-in capital		397	397
Foreign currency translation reserve		(3,317)	(3,462)
Accumulated losses		(29,644)	(28,561)
Total equity		**12,707**	**3,980**
Non-current liabilities			
Loans and borrowings	15	896	412
Provisions		46	47
Total non-current liabilities		**942**	**459**
Current liabilities			
Loans and borrowings	15	523	524
Trade and other payables	16	1,917	1,736
Payables at FVTPL	17	-	60
Total current liabilities		**2,440**	**2,320**
Total liabilities		**3,382**	**2,779**
Total equity and liabilities		**16,089**	**6,759**

Condensed unaudited Consolidated Statement of Changes in Equity

	Share capital $000	Convertible loan notes $000	Additional paid in capital $000	Foreign currency translation reserve $000	Accumulated losses $000	Total $000
Balance at 1 January 2020	33,965	-	397	(2,934)	(24,617)	6,811
Loss for the year	-	-	-	-	(1,710)	(1,710)
Other comprehensive expense						
Exchange differences arising on translation of foreign operations	-	-	-	(275)	-	(275)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**(275)**	**(1,710)**	**(1,985)**
Transactions with owners, recorded directly in equity						
Shares issued, net of issue costs	410	-	-	-	-	410
Balance at 30 June 2020	**34,375**	**-**	**397**	**(3,209)**	**(26,327)**	**5,236**
Balance at 1 January 2021	35,606	-	397	(3,462)	(28,561)	3,980
Loss for the year	-	-	-	-	(1,083)	(1,083)
Other comprehensive income						
Exchange differences arising on translation of foreign operations	-	-	-	145	-	145
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**145**	**(1,083)**	**(938)**
Transactions with owners, recorded directly in equity						
Shares issued, net of issue costs (note 14)	5,646	-	-	-	-	5,646
Convertible loan notes	-	4,019				4,019

Condensed unaudited Consolidated Statement of Changes in Equity

Balance at 30 June 2021	**41,252**	**4,019**	**397**	**(3,317)**	**(29,644)**	**12,707**

Condensed unaudited Consolidated Statement of Changes in Equity

Condensed unaudited Consolidated Statement of Cash Flow

		Unaudited six-month period ended 30 June 2021 $000	Unaudited six-month period ended 30 June 2020 $000
Cash flows from operating activities			
Loss for the period		**(1.083)**	**(1.710)**
Adjustments for:			
Depreciation and amortisation	3, 4	207	244
Income tax		-	1
Net finance costs	6	78	111
Cash from operating activities before changes in working capital		**(798)**	**(1,354)**
Change in inventories		205	1.073
Change in trade and other receivables		(519)	(430)
Change in prepayments		(341)	(508)
Change in trade and other payables		214	534
Change in payables at FVTPL		(60)	(3)
Net cash from operating activities		**(1,299)**	**(687)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(1,229)	(74)
Acquisition of exploration and evaluation assets	8	(320)	-
Acquisition of intangible assets	9	(1)	-
Net cash used in investing activities		**(1,550)**	**(74)**
Cash flows from financing activities			
Proceeds from issue of share capital	14	5,900	442
Transaction costs on shares subscription	14	(254)	(32)
Proceeds from issue of convertible loan notes	14	4,019	-
Proceeds from borrowings	15	476	300
Interests paid	15	(30)	-
Net cash from financing activities		**10,111**	**710**
Net increase in cash and cash equivalents		**7,262**	**(51)**
Cash and cash equivalents at the beginning of year	13	707	648
Effect of movements in exchange rates on cash and cash equivalents		189	(171)
Cash and cash equivalents at the end of the period		**8,158**	**426**

Unaudited notes to the Financial Statements for the 6 months period ended 30 June 2021

1 Basis of preparation

These Condensed Unaudited Financial Statements have been prepared in accordance with IAS34 *Interim Financial Reporting*. The same accounting policies and basis of preparation have been followed as in the annual financial statements of the Group which were published on 28 June 2021.

The consolidated financial statements are prepared in accordance with IFRS on a going concern basis.

The Directors have reviewed the Group's cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements, together with sensitivities and mitigating actions. In addition, the Directors have given specific consideration to the continued risks and uncertainties associated with the COVID-19 pandemic and considered reverse stress test scenarios to assess the potential impact on liquidity in line with recent guidance.

On 8 February and 12 March 2021 the Company issued the bonds for consideration totalling US$476 thousand with a three-year maturity term, bearing interest of 7.0%, payable twice-yearly. In June 2021 one investor that has purchased 50 bonds with early redemption date has decided to hold the bonds until end of the period. As a result there are currently 206 bonds issued that have early redemption option. None of the investors that purchased bonds in June 2020 have exercised their rights for early redemption. Out of 206 bonds with early redemption option, 155 bonds for the total amount of US$310 thousand have early redemption right in September 2021. The Directors have reviewed the scenario of investor exercising their rights and took this into consideration.

The Company signed an investment agreement with Vision Blue Resources and their co-investors on 15 March 2021. In pursuit of this agreement, the Company issued 24,741,021 ordinary shares for cash at a price of 9 pence per share to raise US$3.1m to finance the further expansion of the existing process plant and completion of the bankable feasibility study. The Initial Investment by Vision Blue has been completed in June 2021 bringing total investment to US$3.1m. Further investments of US$7m have been made in June 2021 with a target to accelerate expanded bankable feasibility study with added Stage 2 of Balasausqandiq project.

A further US$2.5m may be invested at Vision Blue's option two months after the feasibility study for the development of Phase 1 of the Balasausqandiq project is released.

These funds are expected to l be sufficient to bring the existing processing factory to the level of 1500 tonnes of V2O5 production per year, generating forecast cash flow of up to US$10m per year. In addition, the investments will be used for finalising the Western Bankable Feasibility Study. Although the remaining funds to be invested remains at the option of Vision Blue Resources and therefore cannot be guaranteed, in view of the current share price which is substantially in excess of the agreed exercise price, the Directors are confident that the further investments will be made.

The agreement also provides for further investments at higher share prices to be made at the option of Vision Blue Resources to finance the construction of the Phase 1 project, but these further options are likely to come beyond the time under consideration for current Going Concern purposes.

The current cash position and forecast operational cash flow in the base case scenario shows that the Company is in stable financing position. There is further potential for volatility in commodity prices, supply chain disruption, mine site workforce rotations and travel to the mine site if the pandemic escalates. In case of a reduction in vanadium pentoxide prices from current levels to US$3.4/lb and calcium molybdate prices to US$8.86/lb additional funding would be required in July 2022. Under this scenario the company will consider various financing options such as issuing bonds or further equity.

After review of these forecasts and scenarios the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future based on the recent funds raised and operational cash flow generation of the processing operations, at forecast prices. In the event of further impacts from COVID-19 the Directors anticipate being able to raise funds if required given the value contained in the Group's assets and the expansion plans. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Use of estimates and judgments

Preparing the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Carrying value of processing operations

Given the remaining low in vanadium pentoxide prices in the period, the Directors have tested the processing operations PP&E for impairment at 30 June 2020. In doing, so, net present value cash flow forecasts were prepared using the fair value less cost to develop method which required estimates including vanadium pentoxide prices, production including the impact of ongoing and planned expansion together with costs and discount rate. Key estimates included:

- Production volumes of 48 tonnes per month of vanadium pentoxide from pyrometallurgical line and 86 tonnes per month of vanadium pentoxide from electrometallurgical line from 2022 with flat production thereafter.
- Average prices of US$9.5/lb in 2021 and thereafter, reflecting management estimates having consideration of market commentary less a discount, and lower than the US$7.50/lb used by the Company as a long-term assumption for other planning purposes.
- Further capital development costs of US$7.6m.
- Discount rate of 10% post tax in real terms.

Based on the key assumptions set out above, the recoverable amount of PP&E (US$48m) exceeds its carrying amount (US$2.7m) by US$46m and therefore PP&E were not impaired.

Fair value of trade receivables and payables classified at fair value less profit and loss (note 11, 16 and 17)

The consideration receivable in respect of certain AMV and calcium molybdate sales for which performance obligations have been satisfied at the end of the period and for which the Group has received prepayment under the terms of the sale agreements, remain subject to pricing adjustments with reference to market prices in the month following arrival at the port of final destination. Under the Group's accounting policies, the fair value of the consideration is determined and the remaining receivable is adjusted to reflect fair value, or, if the final estimated consideration is lower than the amounts received prior to the end of the period, a payable at FVTPL is recorded. In the absence of forward market prices for the commodity, management estimated the forward price based on: a) spot market prices for vanadium pentoxide at 30 June 2021 less applicable deductions for AMV and calcium molybdate; b) foreign exchange rates; c) risk free rates and d) carry costs when material.

As at 30 June 2021 the Group recorded trade receivables of US$0.346m (2020: US$Nil). As at 30 June 2021 the Group recognised a payable at FVTPL of US$Nil (2020: US$0.056m).

These Condensed Unaudited Financial Statements have not been audited or reviewed by the Group Auditor.

2 Revenue

	Unaudited six-month period ended 30 June 2021 $000	Unaudited six-month period ended 30 June 2020 $000
Revenue from sales of vanadium products	1,436	1,170
Revenue from sales of molybdate calcium	74	
Sales of gravel and waste rock	10	2
Total revenue from customers under IFRS 15	**1,520**	**1,172**
Other revenue - change in fair value of customer contract	27	(44)
Total revenue	**1,547**	**1,128**

Products

Under certain sales contracts the single performance obligation is the delivery of products to the designated delivery point at which point possession, title and risk transfers to the buyer. Typically, the buyer makes an initial provisional payment based on volumes and quantities assessed by the Company and market spot prices at the date of shipment. The final payment is received once the product has reached its final destination with adjustments for quality / quantity and pricing based on the historical average market prices during a quotation period and an adjusting payment or receipt will be made to the initially received revenue. Where the final payment for a shipment made prior to the end of an accounting period has not been determined before the end of that period, the revenue is recognised based on the spot price that prevails at the end of the accounting period.

Other revenue related to the change in the fair value of amounts receivable and payable under the sales contracts between the date of initial recognition and the period end resulting from market prices are recorded as Other Revenue.

3 Cost of sales

	Unaudited six-month period ended 30 June 2021 $000	Unaudited six-month period ended 30 June 2020 $000
Materials	977	1,261
Wages, salaries and related taxes	258	340
Depreciation	194	231
Electricity	43	67
Other	19	4

	1,491	**1,903**

4 Administrative expenses

	Unaudited six-month period ended 30 June 2021 $000	Unaudited six-month period ended 30 June 2020 $000
Wages, salaries and related taxes	449	437
Professional services	155	211
Listing & reorganisation expenses	44	6
Audit	4	3
Materials	45	25
Depreciation and amortization	13	13
Insurance	20	-
Bank fees	42	5
Business trip expenses	9	10
Security	7	7
Communication and information services	5	4
Other	56	43
	849	**766**

5 Personnel costs

	Unaudited six-month period ended 30 June 2021 $000	Unaudited six-month period ended 30 June 2020 $000
Wages, salaries and related taxes	758	624
	758	**624**

During 6m 2021 personnel costs of US$232 thousand (2020: US$180 thousand) have been charged to cost of sales, US$448 thousand (2020: US$437 thousand) to administrative expenses and US$78 thousand (2020:

US$7 thousand) were charged to cost of inventories which were not yet sold as at the end of the 6 months period.

6 Finance costs

	Unaudited six-month period ended 30 June 2021 $000	Unaudited six-month period ended 30 June 2020 $000
Net foreign exchange (income) costs	41	101
Interest expense on financial liabilities (bonds)	37	10
Net finance costs/(income)	**78**	**111**

7 Property, plant and equipment

	Land and buildings $000	Plant and equipment $000	Vehicles $000	Computers $000	Other $000	Construction in progress $000	Total $000
Cost							
Balance at 1 January 2020	1,687	2,014	587	39	104	1,445	5,876
Additions	-	28	10	1	5	255	299
Foreign currency translation difference	(158)	(189)	(56)	(4)	(10)	(140)	(557)
Balance at 31 December 2020	**1,529**	**1,853**	**541**	**36**	**99**	**1,560**	**5,618**
Balance at 1 January 2021	1,529	1,853	541	36	99	1,560	5,618
Additions	-	4	-	2	10	158	174
Transfers	495	743	7	-	-	(1,245)	-
Disposals	-	-	(22)	-	-	-	(22)
Foreign currency translation difference	(30)	(38)	(8)	(1)	(2)	(16)	(95)
Balance at 30 June 2021	**1,994**	**2,562**	**518**	**37**	**107**	**457**	**5,675**
Depreciation							
Balance at 1 January 2020	639	1,645	330	17	39	-	2,670
Depreciation for the period	51	294	42	7	12	-	406
Foreign currency translation difference	(61)	(160)	(32)	(2)	(3)	-	(258)
Balance at 31 December 2020	**629**	**1,779**	**340**	**22**	**48**	**-**	**2,818**
Balance at 1 January 2021	629	1,779	340	22	48	-	2,818
Depreciation for the period	37	161	17	3	5	-	223
Disposals	-	-	(22)	-	-	-	(22)

	Land and buildings $000	Plant and equipment $000	Vehicles $000	Computers $000	Other $000	Construction in progress $000	Total $000
Foreign currency translation difference	(11)	(31)	(5)	-	(1)	-	(48)
Balance at 30 June 2021	**655**	**1,909**	**330**	**25**	**52**	**-**	**2,971**
Carrying amounts							
At 1 January 2020	**1,048**	**369**	**257**	**22**	**65**	**1,445**	**3,206**
At 31 December 2020	**900**	**74**	**201**	**14**	**51**	**1,560**	**2,800**
At 30 June 2021	**1,339**	**653**	**188**	**12**	**55**	**457**	**2,705**

During 2021, depreciation expense of US$193 thousand (2020: US$380 thousand) has been charged to cost of sales, excluding cost of finished goods that were not sold at year-end, US$12,000 (2020: US$25,000) – to administrative expenses, and US$17,000 has been charged to cost of finished goods that were not sold at the end of the period (2020: US$1,000). Construction in progress relates to upgrades to the processing plant associated with the expansion of the facility.

8 Exploration and evaluation assets

The Group's exploration and evaluation assets relate to Balasausqandiq deposit. During the 6 months period ended 30 June 2021 the Group capitalised the expenses for the feasibility study as exploration and evaluation assets (in 2020: nil). As at 30 June 2021, the carrying value of exploration and evaluation assets was US$0.865m (at 30 June 2020: US$0.56m).

	Unaudited six-month period ended 30 June 2021 $000	**Unaudited six-month period ended 30 June 2020 $000**
Balance at 1 January	813	59
Additions (feasibility study)	320	-
Foreign currency translation difference	26	(3)
Balance at 30 June	**1,158**	**56**

9 Intangible assets

	Mineral rights $000	**Patents $000**	**Computer software $000**	**Total $000**
Cost				
Balance at 1 January 2020	100	34	3	137
Additions	-	1	-	1
Foreign currency translation difference	(9)	(3)	-	(12)
Balance at 31 December 2020	**91**	**32**	**3**	**126**
Balance at 1 January 2021	91	32	3	126
Additions	-	1	-	1
Foreign currency translation difference	(9)	(3)	-	(12)
Balance at 30 June 2021	**91**	**32**	**3**	**126**
Amortisation				
Balance at 1 January 2020	100	10	3	113
Amortisation for the year	-	1	-	1
Foreign currency translation difference	(9)	-	-	(9)
Balance at 31 December 2020	**91**	**11**	**3**	**105**

Balance at 1 January 2021	91	11	3	105
Amortisation for the year	-	1	-	1
Foreign currency translation difference	(9)	-	-	(9)
Balance at 30 June 2021	**91**	**11**	**3**	**105**
Carrying amounts				
At 1 January 2020	-	24	-	24
At 31 December 2020	**-**	**21**	**-**	**21**
At 30 June 2021	**-**	**21**	**-**	**21**

During the six months ended 30 June 2021 and 2020, amortisation of intangible assets was charged to administrative expenses.

10 Inventories

	Unaudited 30 June 2021 $000	**31 December 2020 $000**
Raw materials and consumables	389	434
Finished goods	83	75
Work in progress	8	185
	480	**694**

During the six months ended 30 June 2021, inventories expensed to profit and loss amounted to US$994,000 (six months period ended 30 June 2020: US$1,286,000).

11 Trade and other receivables

Current	Unaudited 30 June 2021 $000	31 December 2020 $000
Trade receivables from third parties	346	18
Due from employees	24	10
VAT receivable	345	205
Other receivables	6	8
	721	**241**
Expected credit loss provision for receivables	(36)	(36)
	685	**205**

12 Prepayments

	Unaudited 30 June 2021 $000	31 December 2020 $000
Non-current		
Prepayments for equipment	2,489	1,467
	2,489	**1,467**
Current		
Prepayments for goods and services	393	52
	393	**52**

The prepayments for equipment are related mainly to high-voltage powerline connection. For more details see Report on production.

The current prepayments are related mainly to purchase of raw materials for processing.

13 Cash and cash equivalents

	Unaudited 30 June 2021 $000	31 December 2020 $000
Cash at current bank accounts	8,143	688
Cash at bank deposits	14	14
Petty cash	1	5
Cash and cash equivalents	**8,158**	**707**

14 Equity

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares	
	Unaudited 30 June 2021	**31 December 2020**
Par value	-	
Outstanding at beginning of year	330,589,052	312,978,848
Shares issued	47,087,747	17,610,204
Outstanding at end of period	**377,676,799**	**330,589,052**

Ordinary shares

All shares rank equally. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During six months ended at 30 June 2021 the Company issued 47,087,747 ordinary shares of no par value by way of a direct subscription into the Company for cash at price 9 pence per share, raising a total of £4,238,000 (US$5,900,000 minus US$254,000 of commission).

Convertible loan notes

Convertible loan notes are considered as equity as the conditions that are set out in the Convertible Loan Note agreement provide for conversion into equity in all circumstances except certain conditions that the Directors of the Company do not consider probable. In particular, the conditions required to be fulfilled before conversion takes place include an obligation on the Company to receive certain Consents from the regulatory authorities which have already been received, and avoidance of the possibility of triggering a requirement for the issue of a prospectus which will automatically be achieved upon the effluxion of time provided no further shares are issued. The directors do not envisage any circumstances under which they would need to issue further shares prior to the final date of conversion on 4 January 2022.

Reserves

Share capital: Value of shares issued less costs of issuance.

Convertible loan notes: Further investment rights at issue price.

Additional paid in capital: Amounts due to shareholders which were waived.

Foreign currency translation reserve: Foreign currency differences on retranslation of results from functional to presentational currency and foreign exchange movements on intercompany balances considered to represent net investments which are permanent as equity.

Accumulated losses: Cumulative net losses.

(b) Dividends

No dividends were declared for the year ended 30 June 2021.

(c) (Loss) earnings per share (basic and diluted)

The calculation of basic and diluted (loss) / earnings per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. There are no convertible bonds and convertible preferred stock, so basic and diluted losses are the same.

(i) Loss attributable to ordinary shareholders (basic and diluted)

	Unaudited six-month period ended 30 June 2021 $000	**Unaudited six-month period ended 30 June 2020 $000**
Loss for the year, attributable to owners of the Company	(1,083)	(1,710)
Loss attributable to ordinary shareholders	**(1,083)**	**(1,710)**

(ii) Weighted-average number of ordinary shares (basic and diluted)

Shares	**Unaudited six-month period ended 30 June 2021**	**Unaudited six-month period ended 30 June 2020**
Issued ordinary shares at 1 January (after subdivision)	330,589,052	312,978,848
Effect of shares issued (weighted)	4,531,663	1,265,811
Weighted-average number of ordinary shares at 30 June	**335,120,715**	**314,244,659**
Earnings (loss) per share of common stock attributable to the Company (basic and diluted)	(0.003)	(0.005)

15 Loans and borrowings

In 2021 the Company issued unsecured corporate bonds with effective interest rates of 7.0%. Investors have subscribed for a total of 242 of the Company's bonds with a nominal value of US$2,000 each but are issued at a premium or discount to achieve the effective interest rates agreed. The bonds are unsecured, have a three-year term, and bear the coupon rate of 5.8%, paid twice-yearly. The bonds have been listed on AIX with identifier FAR.0323 and ISIN number KZX000000336. Some of the investors (that own 206 bonds) have the right to receive early repayment after a minimum period of 12 months from the purchase date.

	Unaudited 30 June 2021 $000	**31 December 2020 $000**
Non-current liabilities		
Bonds payable	896	412
	896	**412**

Current liabilities

Bonds payable (early repayment rights)	512	512
Interest payable	11	12
	523	**524**

Terms and conditions of outstanding bonds in 6 months period ended at 30 June 2021 were as follows:

US$	Currency	Effective interest rate	Nominal amount	Actual amount	Coupon rate	Coupon paid	Interest
Bonds payable	US$	7.5%	506	503	5.8%	15	15
Bonds payable	US$	7.0%	886	876	5.8%	15	21
Bonds payable	US$	5.8%	20	21	5.8%	-	1
			1,412	**1,400**		**30**	**37**

During 6 months period ended at 30 June 2021 the Group sold bonds to subscribers and received cash from subscribers in the total amount of US$475,830 (2020: US$924,000).

Details of tranches of the bonds

Tranche date	Bond denomination	Actual price per bond	Number of bonds	Nominal amount	Actual amount	Earliest repayment date	Maturity date
08.02.2021	2,000	1,999	58	116,000	115,940	17.03.2023	17.03.2023
17.03.2021	2,000	1,956	52	104,000	101,708	17.03.2023	17.03.2023
17.03.2021	2,000	1,956	30	60,000	58,678	01.10.2021	17.03.2023
17.03.2021	2,000	1,956	102	204,000	199,504	09.10.2021	17.03.2023
Total				**484,000**	**475,830**		

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions overleaf.

Loans and borrowings	**Unaudited six-month period ended 30 June 2021 $000**	**2020 $000**
At 1 January	**936**	-
Cash flows:		
-Interest paid	(30)	(19)
-Proceeds from loans and borrowings	476	924

Total	**1.382**	**905**
Non-cash flows		
- Interest accruing in period	37	33
- Bond discount/premium	-	(2)
At 30 June/31 December	**1,419**	**936**

16 Trade and other payables

	Unaudited 30 June 2021 $000	31 December 2020 $000
Trade payables	1,016	1,035
Debt to directors/key management (Note 20)	745	522
Debt to employees	65	57
Other taxes	91	122
	1,917	**1,736**

17 Payables at FVPL

	Unaudited 30 June 2021 $000	31 December 2020 $000
Payables at FVPL	-	60
	-	**60**

18 Contingencies

(a) Insurance

The insurance industry in the Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally or economically available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. There is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions which are often unclear, contradictory and subject to varying interpretations by different tax authorities. Taxes are subject to review and investigation by various levels of authorities which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years but under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements, and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

There are no tax claims or disputes at present.

19 Segment reporting

The Group's operations are split into three segments based on the nature of operations: processing, subsoil operations (being operations related to exploration and mining) and corporate segment for the purposes of IFRS 8 *Operating Segments*. The Group's assets are primarily concentrated in the Republic of Kazakhstan and the Group's revenues are derived from operations in, and connected with, the Republic of Kazakhstan.

Unaudited six-month period ended 30 June 2021

	Processing $000	Subsoil $000	Corporate $000	Total $000
Revenue	1,547	-	-	1,547
Cost of sales	(1,491)	-	-	(1,491)
Other income	8	-	-	8
Administrative expenses	(247)	(25)	(576)	(849)
Distribution & other expenses	(220)	-	-	(220)
Finance costs	(8)	-	(70)	(78)
Profit before tax	**(411)**	**(25)**	**(646)**	**(1,083)**

Unaudited six-month period ended 30 June 2020

	Processing $000	Subsoil $000	Corporate $000	Total $000
Revenue	1,128	-	-	1,128
Cost of sales	(1,903)	-	-	(1,903)
Administrative expenses	(176)	(49)	(540)	(765)
Distribution & other expenses	(57)	-	-	(57)
Finance costs	(19)	-	(92)	(111)
Profit before tax	**(1,027)**	**(49)**	**(632)**	**(1,709)**

Included in revenue arising from processing are revenues of US$1,5m (2019: US$1.1m) which arose from sales to one of the largest Group customer and one new customer. No other single customer contributes 10 per cent or more to the Group's revenue.

The sales to two largest customers were (in US$) during the first half 2021:

Sideralloys SA (Switzerland)	0.5m (39%) (2020: nil)
MTALX (UK)	0.6 (43%) (2020: nil)

20 Related party transactions

Transactions with management and close family members

Management remuneration

Key management personnel received the following remuneration during the year, which is included in personnel costs (see Note 9):

	Unaudited six-month period ended 30 June 2021 $000	Unaudited six-month period ended 30 June 2020 $000
Wages, salaries and related taxes	200	209

Refer to note 16 amount of wages and salaries that are outstanding at 30 June 2021 equal to US$0.7m.