

Ferro-Alloy Resources Limited

Interim Financial Report
(unaudited)
for the six months ended
30 June 2022

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Company Information

Ferro-Alloy Resources Limited

Company Registration Number	63449
Registered Office	Noble House Les Baissieres St Peter Port Guernsey GY1 2UE
Directors	Sir Mick Davis Nicholas Bridgen Andrey Kuznetsov William Callewaert (appointed on 1 April 2022) Christopher Thomas Petrus Nienaber James Turian
Corporate Brokers	Shore Capital and Stockbrokers Limited 57 St James's Street, Cassini House London, SW1A 1LD Liberum Capital Limited Ropemaker Place, Level 12 25 Ropemaker Street London, EC2Y 9LY Tengri Partners Investment Banking (Kazakhstan) JSC 17 Al-Farabi Avenue Almaty, 050059 Kazakhstan
Auditors	Crowe U.K. LLP 55 Ludgate Hill London, EC4M 7JW
Registrar	Computershare Investor Services (Guernsey) Limited 1 st Floor, Tudor House Le Bordage St Peter Port Guernsey, GY1 1DB
Financial Press Relations and Investor Relations	St Brides Partners Limited Warnford Court, 29 Throgmorton Street London, EC2N 2AT

Interim Management Report

Operations Review

Summary

Ferro-Alloy Resources Limited (“the Company”) is currently undertaking a comprehensive bankable feasibility study on both Phase 1 and Phase 2 of the Balasausqandiq project in the Kyzylordinskaya oblast of southern Kazakhstan. Current indications are that this project will be one of the largest vanadium operations in the world with negative vanadium production costs after by-product credits. The Competent Person’s Report (“CPR”) issued in 2018 showed a net present value for the project of US\$2 billion after capital expenditure on Phase 1 of just US\$100m, with the Phase 2 expansion being financed from earnings. So far in the study, the conclusions of that report have been supported, with the metallurgical recovery into leach independently tested to achieve up to 95% (CPR – 93%), and an early comparison of an 800 metre strike length of the first ore body showing up to 40% more ore in that section. A study into the uses of the carbon by-product to be produced by the project shows it to be even more prospective than envisaged in the CPR, with a 40% carbon concentrate able to replace a proportion of carbon black grade N550 in the making of tyres with no diminution of performance. Although commercial negotiations have not yet taken place, the value of this material, based on the value of carbon black that it replaces, is likely to be significantly higher than previously estimated.

In the existing operation, we have achieved record production and successfully accomplished several further important steps in the development of the operation, targeting 1,500 tonnes per year of vanadium pentoxide or equivalent, in revenue terms, in molybdenum and nickel.

Both the existing operation and the planned process plant for Balasausqandiq will have a strongly positive ESG impact. The vanadium from production will benefit energy storage in both vanadium redox flow batteries, the front-running technology for fixed ground long-term energy storage, but also potentially in certain technologies for mobile batteries used in electric vehicles. Furthermore, in both operations we are aiming to leave little or no residues from processing operations, since all the components of the ore are potentially useful. The CO₂ emissions caused by our production at Balasausqandiq are expected to be a fraction of most other producers which generally require concentration and high-temperature roasting to liberate the vanadium. The carbon concentrate which we plan to market as a replacement for carbon black is produced without burning hydrocarbons as is the usual production process.

Balasausqandiq feasibility study

One ore-body (“OB1”) has already been explored and provided a reserve of 23 million tonnes, sufficient for a mine-life of over 20 years at the Phase 1 level of production of 1 million tonnes of ore per year. Increasing the drilling density of OB1 plus drilling of a further three ore bodies (OB 2 – 4) is now nearing completion although sample preparation and assaying are expected to take up to another three months. The aim of this further drilling is to prove sufficient ore reserve to give a significant mine-life for the Phase 2 production target of four million tonnes per year. There is an area of topography within OB1 that is difficult to access for exploration purposes which is currently being omitted from the programme, but a decision on whether this will have to be drilled or replaced in the programme will be taken when preliminary modelling is completed. The access difficulties are not expected to create any difficulties for actual mining in due course.

No new assay results have yet been received but a comparison of an 800 metre strike length of OB1 as previously modelled, with the results of the increased density of drilling, using semi-quantitative X-ray fluorescence measurements, shows a 40% increase in tonnes of ore, albeit at a slightly lower grade.

Metallurgical test-work has shown a recovery of vanadium pentoxide into leach of up to 95%, slightly in excess of the pilot plant results used in the CPR. Test-work is ongoing to confirm the final product recovery.

A study has also been carried out on the enrichment of carbon in the plant tails after the vanadium recovery process and the potential use of this material as a substitute for carbon black in the production of rubber, principally tyres. The study has shown that the carbon content can easily be upgraded from the approximately 18% tails grade to around 40% by standard flotation means, giving a 75% recovery of carbon, and that the 40% concentrate can be substituted in the making of tyres for around 20% of N550 grade carbon black without loss of performance. Carbon black is an expensive form of carbon that is usually made by the incomplete combustion of hydrocarbons, with only some 40% of the carbon feed being recovered in the product, so use of our material will greatly reduce the CO₂ emissions caused in the making of tyres compared with the standard material. Production of sufficient concentrate for testing by a tyre manufacturer prior to commercial discussions is ongoing.

We expect to be able to announce the results of the exploration and metallurgical programmes early in 2023 and the full feasibility study into Phase 1 of the Balasausqandiq project in the middle of 2023, with Phase 2 following afterwards.

Expenditure on the feasibility study in the first half of 2022 was US\$1.7m.

The Existing Operation

Summary

The existing plant was developed from the former pilot plant, designed to develop and test the process which will be used for the Balasausqandiq process plant. After successful completion of the test programme, the decision was made to expand and develop the plant on a long-term commercial basis partly in order to keep the trained work-force and management occupied and ready for the main Balasausqandiq project and partly for the earnings that will greatly assist the financing of the project.

The expansion and adaptation is now nearly complete to produce a plant capable of extracting vanadium, molybdenum and nickel from secondary imported raw materials, mainly spent catalysts used in the de-metallisation of crude oil. The last stage of the planned development, to produce a high-grade nickel concentrate from the tailings, is now complete but commissioning is awaiting the delayed delivery of a new press filter from Italian suppliers, now expected in October. A significant part of this project is also to extract more vanadium from the tailings in a secondary recovery during repulping of the nickel-rich tailings. Upon completion of this last step, the plant will be extremely competitive in that all of the valuable components of the feed will be recovered and the operation will be environmentally benign with little or no residues remaining on site for disposal – all the content will be recovered as products. The plant is now extremely flexible and allows management to select a wide range of raw materials for processing with varying metal contents depending on the market price for such materials. The targeted production level is around 1,500 tonnes per year of vanadium equivalent (in terms of revenue). Throughput and therefore profitability of the plant in the first half of 2022 was impacted by the January riots in Kazakhstan, delays in shipments of

concentrates caused by COVID-19 in late 2021, the Ukrainian invasion in 2022 and world-wide shipping delays. Certain reagents also became scarce during this period as China prohibited the export of ammonium sulphate, in particular. The Ukrainian invasion caused not only shipping disruption but also banking delays which held up some vital payments to suppliers for up to a month at a time. Shipping costs remain elevated, affecting both imports and exports. Production of vanadium pentoxide equivalent (based on revenue) reached a peak of 56.5 tonnes in April 2022, but the early months in the period and June and July were particularly affected by delays to concentrate deliveries.

The result of these external problems has been a disappointing start to 2022, however, production was at record levels and the net loss for the half year was reduced to US\$694,000 after meeting parent company costs and the management of the ongoing feasibility study. The net loss is also after allowing for the falling vanadium price over the period, which resulted in a downwards revenue adjustment of US\$417,000, being the difference between the price at the time the sale was agreed and the price during the contractual pricing period which is linked to delivery.

Production

Production during the first half year was mixed, with very good production when the plant was not constrained by raw-material or reagent supply issues. The capacity of the plant was very much greater than the actual output.

Quarter	Tonnes of vanadium pentoxide contained in AMV 2022	Tonnes of vanadium pentoxide contained in AMV 2021	Growth from same quarter / half of 2021	Tonnes of molybdenum contained in ferro-molybdenum (2022 only)
Q1	80.5	57.4	+40%	11.2
Q2	91.7	30.8	+198%	11.1
H1 2022	172.2	88.2	+95%	22.3

Outlook

The existing processing plant is operating well. Two new step-changes in production are both expected in the next couple of months. When the delayed press filter arrives, the new nickel concentrate production can begin, and when the delivery of sorption resin arrives from France, there will be a significant increase in ferro-molybdenum production. Currently, the nickel-rich tailings and molybdenum-containing solutions are being stockpiled pending the start of these operations, allowing for a particularly sharp increase as the stockpiles are reduced over the ensuing year. Towards the end of 2022 the annualised production rate is expected to reach the targeted 1,500 tonnes of vanadium pentoxide equivalent, at current prices this would translate into revenue potential of c. US\$2m per month during 2023. Later in the year a further new dissociation oven will arrive, allowing the conversion of ammonium metavanadate to vanadium pentoxide. A previous oven acquired for this purpose was diverted to the drying of calcium molybdate to allow conversion to ferro-molybdenum, contributing more profit than its originally intended use.

Although the transport and banking issues associated with the Ukrainian invasion are largely stabilising, with little effect now on delivery schedules except as to pricing, we expect some continuing disruption. Uncertainty remains as to the impact these issues will have on the outcome for H2 but the Company expects H2 revenues to be greater than H1. Nevertheless, the improvements to the plant scheduled for the remainder of 2022 will enable us to extract more value from each tonne of raw material delivered and should have a significant impact on profitability in the future.

Corporate

Although the existing operation is forecast to make significant profits, particularly after the developments discussed above, the directors have considered that the overwhelming priority is for the successful completion of the feasibility study into the Balasausqandiq project and to accelerate its development. For this reason, the Company has decided to carry out a fundraise placing of US\$10m so that whatever geopolitical situation or other unforeseen events arise, the study can continue as quickly as possible.

The proposed placing is wholly supported by our strategic shareholder, Vision Blue Resources Limited (“Vision Blue”), who have offered to subscribe for 100% of the placing, but are willing to be scaled back to their pro rata shareholding if demand from elsewhere requires it.

Directors Chris Thomas and Nicholas Bridgen also plan to subscribe to the placing.

The earnings from the existing operation are expected to continue and any surplus funds earned, that are not needed for the feasibility study, will be applied to the accelerated development of the Balasausqandiq project including front-end engineering and the ordering of long lead-time items.

Product prices in the period

Vanadium Pentoxide

At the start of 2022 the price of vanadium pentoxide was around US\$8.75/lb, lifting slightly to over US\$9/lb by 30 June 2022 (having reached a peak of US\$12/lb during the period) and reaching US\$8/lb in early September 2022.

Ferro-Molybdenum

At the start of 2022 the price of ferro-molybdenum was around US\$44/kg, falling to US\$43/kg by 30 June 2022 and reaching US\$36/kg at the end of August 2022.

COVID-19

In contrast to the previous 24 months, the ongoing risk of COVID-19 on the Group and its operations is considered small. However, the situation continues to be monitored and in the event that new variants increase illness and/or transmission, mitigating steps may be required to be re-instated. Similarly, since the delays to raw-material deliveries which we experienced in January and February, we have not been informed of any COVID-19 related issues causing further delays, although the continuing lockdowns in China are disrupting markets at the macro-level.

Earnings and cash flow

The Group generated total revenues of US\$3.9m for the period compared to US\$1.5m for the first six months of 2021, reflecting the higher production output noted above.

The cost of sales increased to US\$3.5m from US\$1.5m for the first six months of 2021, reflecting primarily the purchase cost of the increased volume of concentrate that was processed.

Administrative expenses amounted to US\$1.2m (2021: US\$0.8m).

The Group made a loss before and after tax of US\$0.7m (2021: loss of US\$1.1m).

Net cash outflows from operating activities totalled US\$0.5m (2021: cash outflow of US\$1.3m). Both investment activities and capital expenditure marginally increased during the period, with net cash outflows from investing activities totalling US\$1.7m (2021: US\$1.6m). The main investment activity of the period was the continued development of the feasibility study. Net cash outflows from financing activities totalled US\$0.04m (2021: inflows of US\$10.1m) the difference reflecting Vision Blue's investment in the Group during 2021.

Balance sheet review

At the period end, non-current assets totalled to US\$8.0m (2021: US\$6.4m) reflecting the continued capitalisation of expenses to exploration and evaluation assets incurred during the period with respect to the feasibility study and the expansion of equipment at the plant site.

Current assets, excluding cash balances, totalled US\$4.8m at the period end compared with US\$2.9m at 31 December 2021. The increased position during the period is a result of both cash payments having been made on account by the Group with trade suppliers in order to secure a flow of concentrates to be processed by the plant as well as increased trade debtor balances as a result of significant product sales made before the period end (subsequently settled post period end).

The Group held an aggregate cash balance of US\$0.5m at the period end (2021: US\$8.2m).

With respect to non-current liabilities, the reduction in the overall balance from US\$0.9m at 31 December 2021 to US\$0.05m is attributable to the reclassification of bonds previously issued by the Company, that will mature within the next 12 months, to current liabilities.

Current liabilities have increased from US\$1.3m at 31 December 2021 to US\$4.2m at the period end. The increase is represented by the bond liability reclassification noted above, a fair value through profit and loss payable provision of US\$0.4m being recognised with respect to product sales that have suffered negative market price movements between the date of sale and date of delivery / acceptance by the customer and an increase in trade creditors for concentrate / plant processing materials of US\$1.5m.

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 and retain an experienced workforce and build our expertise in the production processes and operating in the local environment. The principal risks of this operation are the prices of its products (vanadium, molybdenum and nickel),

availability and price of vanadium bearing concentrates, availability of reagents and the efficiency of the production processes.

The Company is constantly reviewing the market opportunities for alternative supplies of vanadium bearing concentrates and has sufficient long-term contracts in place. The Company aims to extract all the useful components of the raw materials so that no residues remain on site and so that the maximum value is obtained from each tonne treated. By this means, we aim to be one of the most efficient and lowest cost secondary vanadium treatment plants so that our competitive position reduces the danger of high prices for raw materials making the operation uneconomic.

(b) Geopolitical situation

While the invasion of Ukraine by Russia does not directly impact the Company's operations, the directors continue to closely monitor the situation. The main risk is to product sales transport routes, many of which involve transit through Russia. Whilst these are currently operating, sanctions have been made against Russian and Belorussian vehicles transiting through Europe. There is a risk that further sanctions might prevent transit through Russia into Latvia, to and from where some of the Company's imports and exports currently flow. The Company is investigating alternative transit routes for raw material imports and product exports through the West of Kazakhstan, either via the Caspian Sea or overland south of the Caspian. Routes to China are working normally.

(c) Financing risk

In March 2021 the Company signed an investment agreement with Vision Blue. Under the terms of this agreement, investments totalling US\$10.1m have already been made and Vision Blue has the right to subscribe a further US\$2.5m at the original deal price of 9 pence per share at any time up to two months after the announcement of the Phase 1 feasibility study. Vision Blue has further options to subscribe up to US\$30m at higher prices to partially finance the construction of the Balasausqandiq project. However, the Balasausqandiq project will require substantial funds to be raised in debt and possibly further equity which will be dependent upon market conditions at the time and the successful completion of the feasibility study.

The existing operation is operating well and, after the commissioning of the new nickel concentrate operation, an associated increase in vanadium production, and the increased production of ferromolybdenum, is forecast to make significant profits from later in 2022. However, experience in the first half of 2022 has shown that the operation is sensitive to geopolitical factors, the resolution of which are not guaranteed in the short or medium term. Since the main objective over the next 12 months is to bring to fruition the Balasausqandiq project, we have decided to ensure that the feasibility study is fully funded under any foreseeable conditions and therefore the directors have resolved to carry out a fundraise placing in September 2022. In the event that the existing operation returns to the previously anticipated operating environment, significant surplus funds will be generated which will be used for front-end engineering and accelerating the implementation of the main project.

(d) Climate change risk

The climate in the environment around the operations in Kazakhstan is generally hot with temperatures often reaching 40 C, but with a short sharp winter where temperatures in January and February frequently reach -22 C. Although there are rivers in the vicinity from which water could be drawn (subject to permissions), there is currently plentiful ground water. Significant changes to rainfall patterns might have currently unknown effects on the availability of such water for

production purposes. The operation is being designed to minimise water use and to recycle where possible.

(e) 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.

(f) Balasausqandiq project

The Balasausqandiq project is a much larger contributor to the Group's value than current operations and the extent of its profitability 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 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 the Development Bank of Kazakhstan (for which our project has passed through initial screening), have been encouraging.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- a. the condensed set of unaudited financial statements which have been prepared in accordance with IAS 34 'Interim Financial Reporting' give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its undertakings included in the consolidation as a whole, as required by DTR 4.2.4R;
- b. the interim management report includes a fair review of the information required by DTR 4.2.7R; and
- c. the interim management report includes a fair review of the information required by DTR 4.2.8R.

This interim financial report for the six months ended 30 June 2022 has been approved by the Board and signed on its behalf by:



William Callewaert

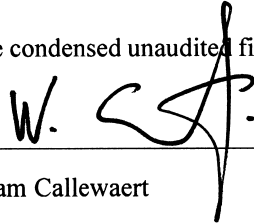
Director

14 September 2022

Ferro-Alloy Resources Limited
*Condensed unaudited Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2022*

	Note	Unaudited six-month period ended 30 June 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
Revenue from customers (pricing at shipment)	2	4,327	1,520	4,709
<i>Other revenue (adjustments to price after delivery and fair value changes)</i>	2	(417)	27	22
Total revenue	2	3,910	1,547	4,731
Cost of sales	3	(3,541)	(1,491)	(4,893)
Gross income / (loss)		369	56	(162)
Other income		12	8	28
Administrative expenses	4	(1,154)	(849)	(2,471)
Distribution expenses		(52)	(218)	(94)
Other expenses		-	(2)	(11)
Loss from operating activities		(825)	(1,005)	(2,710)
Net finance costs	6	131	(78)	(117)
Loss before income tax		(694)	(1,083)	(2,827)
Income tax		-	-	-
Loss for the period		(694)	(1,083)	(2,827)
Other comprehensive (loss) / income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations		(834)	145	(158)
Total comprehensive loss for the period		(1,528)	(938)	(2,985)
Loss per share (basic and diluted)	14	(0.002)	(0.003)	(0.008)

These condensed unaudited financial statements were approved by directors on 14 September 2022 and signed by:



William Callewaert
Director

Ferro-Alloy Resources Limited
Condensed unaudited Statement of Financial Position
for the six months ended 30 June 2022

	Note	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 December 2021 \$000
ASSETS				
Non-current assets				
Property, plant and equipment	7	4,624	2,705	4,863
Exploration and evaluation assets	8	2,819	1,158	1,434
Intangible assets	9	19	21	21
Prepayments	12	575	2,489	930
Total non-current assets		8,037	6,373	7,248
Current assets				
Inventories	10	2,422	480	2,100
Trade and other receivables	11	1,356	685	116
Prepayments	12	1,043	393	670
Cash and cash equivalents	13	542	8,158	2,810
Total current assets		5,363	9,716	5,696
Total assets		13,400	16,089	12,944
EQUITY AND LIABILITIES				
Equity				
Share capital	14	41,252	41,252	41,252
Convertible loan notes	14	4,019	4,019	4,019
Additional paid-in capital		397	397	397
Foreign currency translation reserve		(4,454)	(3,317)	(3,620)
Accumulated losses		(32,082)	(29,644)	(31,388)
Total equity		9,132	12,707	10,660
Non-current liabilities				
Loans and borrowings	15	-	896	901
Provisions		45	46	42
Total non-current liabilities		45	942	943

Ferro-Alloy Resources Limited
Condensed unaudited Statement of Financial Position
for the six months ended 30 June 2022

	Note	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 December 2021 \$000
Current liabilities				
Loans and borrowings	15	1,390	523	489
Trade and other payables	16	2,404	1,917	828
Payables at FVTPL	17	405	-	-
Interest payable	15	24	-	24
Total current liabilities		4,223	2,440	1,341
Total liabilities		4,268	3,382	2,284
Total equity and liabilities		13,400	16,089	12,944

Ferro-Alloy Resources Limited
Condensed unaudited Statement of Changes in Equity
for the six months ended 30 June 2022

	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 2021	35,606	-	397	(3,462)	(28,561)	3,980
Loss for the year	-	-	-	-	(1,083)	(1,083)
Other comprehensive expense						
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	5 646	-	-	-	-	5,646
Convertible loan notes	-	4,019	-	-	-	4,019
Balance at 30 June 2021	41,252	4,019	397	(3,317)	(29,644)	12,707
Balance at 31 December 2021	41,252	4,019	397	(3,620)	(31,388)	10,660
Balance at 1 January 2022	41,252	4,019	397	(3,620)	(31,388)	10,660
Loss for the year	-	-	-	-	(694)	(694)
Other comprehensive income						
Exchange differences arising on translation of foreign operations	-	-	-	(834)	-	(834)
Total comprehensive income / (loss) for the year	-	-	-	(834)	(694)	(1,528)
Transactions with owners, recorded directly in equity						
Shares issued, net of issue costs (note 14)	-	-	-	-	-	-
Convertible loan notes	-	-	-	-	-	-
Balance at 30 June 2022	41,252	4,019	397	(4,454)	(32,082)	9,132

Ferro-Alloy Resources Limited
Condensed unaudited Statement of Cash Flows
for the six months ended 30 June 2022

		Unaudited six-month period ended 30 June 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
Cash flows from operating activities	Note			
Loss for the period		(694)	(1,083)	(2,827)
<i>Adjustments for:</i>				
Depreciation and amortisation	3, 4	269	207	455
Write off of property, plant and equipment		-	-	(84)
Write off of VAT non refundable		-	-	499
Net finance costs	6	(131)	78	117
Cash from operating activities before changes in working capital		(556)	(798)	(1,840)
Change in inventories		(516)	205	(1,209)
Change in trade and other receivables		(1,256)	(519)	(397)
Change in prepayments		(137)	(341)	(628)
Change in trade and other payables		1,583	214	(846)
Change in payables at FVTPL		419	(60)	(59)
Net cash from operating activities		(463)	(1,299)	(4,979)
Cash flows from investing activities				
Acquisition of property, plant and equipment	7	(361)	(1,229)	(2,211)
Acquisition of exploration and evaluation assets	8	(1,385)	(320)	(333)
Acquisition of intangible assets	9	(1)	(1)	(1)
Net cash used in investing activities		(1,747)	(1,550)	(2,545)
Cash flows from financing activities				
Proceeds from issue of share capital	14	-	5,900	5,900
Transaction costs on shares subscription	14	-	(254)	(254)
Proceeds from issue of convertible loan notes	14	-	4,019	4,019
Proceeds from borrowings	15	-	476	476
Interest paid	15	(41)	(30)	(80)
Net cash from financing activities		(41)	10,111	10,061
Net increase in cash and cash equivalents		(2,251)	7,262	2,537
Cash and cash equivalents at the beginning of year	13	2,810	707	707
Effect of movements in exchange rates on cash and cash equivalents		(17)	189	(434)
Cash and cash equivalents at the end of the period		542	8,158	2,810

Notes to the Condensed unaudited Financial Statements for the six months ended 30 June 2022

1 (a) Basis of preparation

These Condensed unaudited Financial Statements have been prepared in accordance with IAS34 'Interim Financial Reporting' and International Financial Reporting Standards as adopted by the European Union ("IFRS") on a going concern basis.

The same accounting policies and basis of preparation have been followed as adopted in the annual financial statements of the Group which were published on 29 April 2022.

(b) Going concern

The directors have reviewed the Group's cash flow forecasts for a period of at least 12 months from the date of approval of these 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 geopolitical situation with respect to Russia and Ukraine.

The Company signed an investment agreement with Vision Blue on 15 March 2021 as a result of which Vision Blue and their co-investors have so far subscribed for shares and convertible loan notes to the value of US\$10.1m to fund the expansion of the existing operation and completion of the feasibility study in the Balasausqandiq project, both of which are in progress.

Vision Blue may, at their option, invest a further US\$2.5m at the original deal price of 9 pence per share at any time up to two months after the issue of the feasibility study for the development of Phase 1 of the Balasausqandiq project, expected during the middle of 2023. Since the share price is currently significantly higher than this figure, the directors are confident that these funds are likely to be available.

While the Group's production has been variable during the period as a result of the geopolitical factors noted above, which have since stabilised, and while the profits available to fund the feasibility study and investment programme may vary with metal prices and other factors, the directors are confident that the Company has sufficient resources to continue as a going concern for at least the next 12 months.

(c) Use of estimates and judgements

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

The directors have tested the processing operations' property, plant and equipment ("PP&E") for impairment (Note 7) at 30 June 2022. In doing so, net present value cash flow forecasts were prepared to approximate value in use which required key estimates including vanadium pentoxide, ferromolybdenum and ferro-nickel prices, production including the impact of corresponding ongoing costs and an appropriate discount rate. Key estimates included:

- Production volumes of 69 tonnes per month of vanadium pentoxide (as AMV), 23 tonnes of molybdenum (as ferro-molybdenum) and from September 2022 and 17 tonnes of nickel (as ferro-nickel).
- Average prices of vanadium pentoxide of US\$7.85/lb, ferro-molybdenum of US\$36.75/kg and ferro-nickel of US\$20/kg in 2022 and thereafter, reflecting management estimates having consideration of market commentary less a discount, and used by the Company as a long-term assumption for other planning purposes.
- Discount rate of 10% post tax in real terms.

Based on the key assumptions set out above, the recoverable amount of PP&E (US\$78.6m) exceeds its carrying amount (US\$4.6m) by US\$74m and, therefore, PP&E has not been impaired.

Fair value of trade receivables and payables classified at fair value through profit and loss (Note 17)

The consideration receivable in respect of certain sales for which performance obligations have been satisfied at period end 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 of arrival at the port of final destination for AMV and month of shipment from the port for ferro-molybdenum. 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 year end, a payable at fair value through profit or loss ("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 and ferro-molybdenum at 30 June 2022 less applicable deductions for AMV; b) foreign exchange rates; c) risk free rates and d) carry costs when material.

As at 30 June 2022 the Group recognised a payable at FVTPL of US\$405,000 (2021: US\$ Nil).

Inventories (Note 10)

The Group holds material inventories which are assessed for impairment at each reporting date. The assessment of net realisable value requires consideration of future cost to process and sell and spot market prices at the period end less applicable discounts. The estimates are based on market data and historical trends.

Exploration and evaluation assets (Note 8)

The Group holds material exploration and evaluation assets and judgement is applied in determining whether impairment indicators exist under the Group's accounting policy. In determining that no impairment indicator exists management have considered the Competent Person's Report on the asset, the strategic plans for exploration and future development and the status of the Subsoil licence. Judgement was required in determining that an application for deferral of obligations under the licence will be granted and management anticipate such approvals being provided given the impact of the geopolitical situation, their understanding of the Kazakh market and plans for the asset.

(d) Unaudited status

These Condensed unaudited Financial Statements have not been audited or reviewed by the Group's auditor.

2 Revenue

	Unaudited six-month period ended 30 June 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
Revenue from sales of vanadium products	3,343	1,436	4,078
Revenue from sales of molybdate calcium	-	74	392
Revenue from sales of ferro-molybdenum	897	-	161
Sales of gravel and waste rock	87	10	61
Service revenue	-	-	17
Total revenue from customers under IFRS 15	4,327	1,520	4,709
Other revenue (<i>adjustments to price after delivery and fair value charges</i>)	(417)	27	22
Total revenue	3,910	1,547	4,731

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.

Revenues 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 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
Materials	2,738	977	3,709
Wages, salaries and related taxes	451	258	656
Depreciation	254	194	425
Electricity	74	43	9
Other	24	19	4
	3,541	1,491	4,893

4 Administrative expenses

	Unaudited six-month period ended 30 June 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
Wages, salaries and related taxes	633	449	1,035
Professional services	163	155	305
Write-off of non-refundable VAT	-	-	499
Taxes other than income tax	-	-	17
Listing and reorganisation expenses	13	44	119
Audit	57	4	151
Materials	43	45	75
Depreciation and amortisation	15	13	30
Insurance	2	20	22
Bank fees	15	42	20
Business trip expenses	10	9	18
Security	7	7	14
Communication and information services	6	5	7
Other	190	56	159
	1,154	849	2,471

5 Personnel costs

	Unaudited six-month period ended 30 June 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
Wages, salaries and related taxes	1,083	758	1,711
	1,083	758	1,711

Personnel costs of US\$421,000 (2021: US\$232,000) have been charged to cost of sales, US\$633,000 (2021: US\$448,000) to administrative expenses and US\$29,000 (2021: US\$78,000) were charged to cost of inventories which were not yet sold as at the end of the period.

6 Finance costs

	Unaudited six-month period ended 30 June 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
(Gain) / loss on foreign exchange	(172)	41	35
Interest expense on financial liabilities (bonds)	41	37	82
Net finance costs	(131)	78	117

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
<i>Cost</i>							
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	-	0	(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
Balance at 31 December 2021	2,060	2,639	509	39	102	2,632	7,981
Balance at 1 January 2022	2,060	2,639	509	39	102	2,632	7,981
Additions	35	85	-	1	11	229	361
Transfers	-	-	-	-	-	-	-
Disposals	-	-	(17)	-	-	-	(17)
Foreign currency translation difference	(150)	(194)	(36)	(3)	(8)	(196)	(587)
Balance at 30 June 2022	1,945	2,530	456	37	105	2,665	7,738

	Land and buildings \$000	Plant and equipment \$000	Vehicles \$000	Computers \$000	Other \$000	Construction in progress \$000	Total \$000
<i>Depreciation</i>							
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)
Foreign currency translation difference	(11)	(31)	(5)	-	(1)	-	(48)
Balance at 30 June 2021	655	1,909	330	25	52	-	2,971
Balance at 31 December 2021	688	2,028	327	28	47	-	3,118
Balance at 1 January 2022	688	2,028	327	28	47	-	3,118
Depreciation for the period	34	186	17	3	5	-	245
Disposals	-	-	(17)	-	-	-	(17)
Foreign currency translation difference	(51)	(152)	(23)	(2)	(4)	-	(232)
Balance at 30 June 2022	671	2,062	304	29	48	-	3,114
<i>Carrying amounts</i>							
At 1 January 2021	900	74	201	14	51	1,560	2,800
At 30 June 2021	1,339	653	188	12	55	457	2,705
At 31 December 2021	1,372	611	182	11	55	2,632	4,863
At 30 June 2022	1,274	468	152	8	57	2,665	4,624

Depreciation expense of US\$224,000 (2021: US\$193,000) has been charged to cost of sales, excluding cost of finished goods that were not sold at year-end, US\$15,000 (2021: US\$12,000) to administrative expenses, and US\$21,000 has been charged to cost of finished goods that were not sold at the end of the period (2021: US\$17,000).

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 the Balasausqandiq deposit. During the six month period ended 30 June 2022 the Group capitalised the expenses for the feasibility study as exploration and evaluation assets. As at 30 June 2022, the carrying value of exploration and evaluation assets was US\$2.8m (2021: US\$1.2m).

	Unaudited six-month period ended 30 June 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
Balance at 1 January	1,434	813	813
Additions (feasibility study)	1,653	320	626
Change in estimate (asset restoration obligation)	-	-	(14)
Foreign currency translation difference	(268)	26	9
Balance at 30 June / 31 December	2,819	1,158	1,434

9 Intangible assets

	Mineral rights \$000	Patents \$000	Computer software \$000	Total \$000
<i>Cost</i>				
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	33	3	126
Balance at 31 December 2021	88	32	3	124
Balance at 1 January 2022	88	33	3	124
Additions	-	1	-	1
Foreign currency translation difference	(6)	(3)	-	(9)
Balance at 30 June 2022	82	31	3	116

Amortisation

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
Balance at 31 December 2021	88	12	3	103

Balance at 1 January 2022	88	12	3	103
Amortisation for the year	-	1	-	1
Foreign currency translation difference	(6)	(1)	-	(7)
Balance at 30 June 2022	82	12	3	97

Carrying amounts

At 1 January 2021	-	21	-	21
At 30 June 2021	-	21	-	21
At 31 December 2021	-	21	-	21
At 30 June 2022	-	19	-	19

During the six months ended 30 June 2022 and 2021, amortisation of intangible assets was charged to administrative expenses.

10 Inventories

	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 December 2021 \$000
Raw materials and consumables	2,223	389	1,805
Finished goods	192	83	287
Work in progress	7	8	7
Goods in transit	-	-	1
	2,422	480	2,100

During the six months ended 30 June 2022, inventories expensed to profit and loss amounted to \$2.8m (six months period ended 30 June 2021:US \$1.0m).

11 Trade and other receivables

<i>Current</i>	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 December 2021 \$000
Trade receivables from third parties	351	346	62
Due from employees	44	24	22
VAT receivable	976	345	58
Other receivables	20	6	9
	1,391	721	151
Expected credit loss provision for receivables	(35)	(36)	(35)
	1,356	685	116

12 Prepayments

	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 December 2021 \$000
<i>Non-current</i>			
Prepayments	575	2,489	930
	575	2,489	930
<i>Current</i>			
Prepayments for goods and services	1,043	393	670
	1,043	393	670

The non-current prepayments balance at 30 June 2022 is mainly related to payments made on account to third party consultants that have been contracted to assist with the preparation of the feasibility study.

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

13 Cash and cash equivalents

	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 December 2021 \$000
Cash at current bank accounts	529	8,143	2,795
Cash at bank deposits	13	14	14
Petty cash	-	1	1
Cash and cash equivalents	542	8,158	2,810

14 Equity

(a) Share capital

Number of shares unless otherwise stated

	Ordinary shares		
	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Par value	-	-	-
Outstanding at beginning of year	377,676,799	330,589,052	330,589,052
Shares issued	-	47,087,747	47,087,747
Outstanding at end of period	377,676,799	377,676,799	377,676,799

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.

The Company did not issue any ordinary shares during the period (2021: 47,087,747 ordinary shares issued).

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 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.

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 six months ended 30 June 2022 (2021: US\$ Nil).

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

The calculation of basic and diluted loss 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 equal.

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

	Unaudited six-month period ended 30 June 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
Loss for the period, attributable to owners of the Company	(694)	(1,083)	(2,827)
Loss attributable to ordinary shareholders	(694)	(1,083)	(2,827)

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

Shares	Unaudited six-month period ended 30 June 2022	Unaudited six-month period ended 30 June 2021	Audited year ended 31 December 2021
Issued ordinary shares at 1 January (after subdivision)	377,676,799	330,589,052	330,589,052
Effect of shares issued (weighted)	-	4,531,663	4,531,663
Weighted-average number of ordinary shares at period / year end	377,676,799	335,120,715	335,120,715
Earnings (loss) per share of common stock attributable to the Company:			
Basic and diluted	(0.0018)	(0.0032)	(0.008)

15 Loans and borrowings

The Company has issued unsecured corporate bonds with effective interest rates of 5.8% - 7.0%. Investors have subscribed for a total of 706 of the Company's bonds with a nominal value of US\$2,000 each 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. All of the Company's issued bonds in circulation will mature during March 2023.

	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 December 2021 \$000
<i>Non-current liabilities</i>			
Bonds payable	-	896	901
	-	896	901
<i>Current liabilities</i>			
Bonds payable (early repayment rights)	1,390	512	465
Interest payable	24	11	24
	1,414	523	489

The terms and conditions of outstanding bonds at 30 June 2022 were as follows:

		Effective interest rate	Nominal amount	Actual amount	Coupon rate	Coupon paid	Interest
US\$	Currency						
Bonds payable	US\$	7.5%	506	503	5.8%	12	12
Bonds payable	US\$	7.0%	886	876	5.8%	26	26
Bonds payable	US\$	5.8%	20	21	5.8%	3	3
			1,412	1,400		41	41

During the six month period ended 30 June 2022 the Group did not receive any proceeds from the sale of bonds (2021: US\$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 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
At 1 January	1,427	936	936
Cash flows:			
-Interest paid	(41)	(30)	(80)
-Proceeds from loans and borrowings	-	476	476
Total	1,386	1,382	1,332
Non-cash flows			
- Interest accrued during the period	41	37	95
At 30 June / 31 December	1,427	1,419	1,427

16 Trade and other payables

	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 December 2021 \$000
Trade payables	2,130	1,016	625
Debt to directors/key management (Note 20)	75	745	7
Debt to employees	73	65	68
Other taxes	116	91	117
Advances received	10	-	11
	2,404	1,917	828

17 Payables at FVTPL

	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 December 2021 \$000
Payables at FVTPL	405	-	-
	405	-	-

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 for 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 2022

	Processing \$000	Subsoil \$000	Corporate \$000	Total \$000
Revenue	3,910	-	-	3,910
Cost of sales	(3,541)	-	-	(3,541)
Other income	12	-	-	12
Administrative expenses	(466)	(29)	(659)	(1,154)
Distribution & other expenses	(52)	-	-	(52)
Finance costs	596	-	(465)	131
Loss before tax	459	(29)	(1,124)	(694)

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)
Loss before tax	(411)	(25)	(646)	(1,083)

Audited year ended 31 December 2021

	Processing \$000	Subsoil \$000	Corporate \$000	Total \$000
Revenue	4,731	-	-	4,731
Cost of sales	(4,893)	-	-	(4,893)
Other income	28	-	-	28
Administrative expenses	(1,131)	(31)	(1,309)	(2,471)
Distribution & other expenses	(94)	-	(11)	(105)
Finance costs	97	-	(214)	(117)
Loss before tax	(1,262)	(31)	(1,534)	(2,827)

Included in revenue arising from processing operations are revenues of US\$3.9m (2021: US\$1.5m) which arose from sales to the three largest customers of the Group. No other single customer contributes 10 per cent or more to the Group's revenue.

The sales to the three largest customers of the Group during the six months ended 30 June 2022 were:

London Chemicals (UK)	US\$ 1.9m (49%) (2021:US\$ 0.4m)
MTALX (UK)	US\$ 1.1m (27%) (US\$ 2021: 0.6m)
MetImpex (Russia)	US\$ 0.7m (17%) (2021: US\$ 0.2m)

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 5):

	Unaudited six-month period ended 30 June 2022 \$000	Unaudited six-month period ended 30 June 2021 \$000	Audited year ended 31 December 2021 \$000
Wages, salaries and related taxes	360	200	400

Wages and salaries that were due to key management personnel at 30 June 2022 were US\$75,000 (2021: US\$700,000).