Ferro-Alloy Resources Limited

Interim Financial Report (unaudited) for the six months ended 30 June 2024

Contents

Interim Management Report

The Company is engaged primarily in carrying out a feasibility study into the giant Balasausqandiq vanadium project which is now entering the final stages.

Concurrently, the Company continues to operate a small-scale process plant to produce vanadium, molybdenum and nickel from purchased concentrates.

Balasausqandiq feasibility study

Carbon black substitute concentrate

The Company's specialist rubber consultants in the UK have completed testing on the carbon black substitute concentrate and the results have confirmed the suitability of the concentrate for use in tyre rubber manufacture and other carbon black based rubber applications.

The testing undertaken has shown that the carbon concentrate to be produced by the Company from the Balasausqandiq ore tailings can be successfully used as a partial substitute for conventional carbon black filler in a passenger car tyre sidewall compound formulation. The results show that with a substitution of up to 10% it was possible to produce compounds with similar physical properties to that made with a control formulation using 100% N660 carbon black, the most commonly used grade of carbon black for tyre sidewalls. Tyres made with this blended material would, therefore, be expected to deliver similar performance.

Whilst the data did show that the carbon concentrate, when substituted at levels greater than 10%, produced slightly less of a reinforcing effect in the rubber compound than conventional carbon black, some potential advantages in physical properties were identified which could lead to improvements in tyre rolling resistance and sidewall damage resistance.

Specialist marketing consultants are finalising their report which will advise on marketing and the appropriate pricing of the Company's material.

Processing

The feasibility study has progressed with a primary focus on the optimisation of the tailings storage facility by SRK Consulting (Kazakhstan) Limited. Site selection has continued and a final geophysical survey is underway. Preliminary capital estimates have been completed with a focus on staging the construction of the facility to optimise the initial capital spend.

As soon as the final carbon concentrate and vanadium market reports have been received, SRK will commence the mine planning study.

As communicated last year, the 2023 ore reserve that was estimated for Ore-Body 1 of the Balasausqandiq deposit was 35.4% larger than previously estimated, which lead to a review of the appropriate size of the Phase 1 development plan. The Company has now applied to the Ministry of Industry and Construction of the Republic of Kazakhstan for an amendment to the Company's Subsoil Use Agreement which will have the effect of increasing the annual tonnage to be mined during the life of Phase 1 of the project to 1.65 million tonnes per year (including mining dilution) and to defer certain amounts to be mined prior to and during commissioning. Ongoing discussions with a Working Committee of the Ministry have required re-submission of certain documents relating to environmental provisions, future site restoration plans and industrial safety, prior to approval.

In anticipation of approval, the Company has increased the design capacity of Phase 1 of the process plant to 1.65 million tonnes throughput per year. The upgraded design is being progressed by Tetra Tech Limited and the comminution circuit aspects of the design have been completed.

Concurrently, the Company has engaged SGS Canada Inc to conduct a reagent optimisation programme to identify potential improvements to the metallurgical regimes identified in the previously completed metallurgical programme to take account of current reagent prices and delivery costs.

In addition to these items, the main components of the study currently underway include the ecological study, estimate of capital costs and financial evaluation.

In order to accommodate the increased design capacity of the Phase 1 process plant and the reagent optimisation programme, the Company now expects the feasibility study to be published during Q2 2025.

Operations review

The existing operation

The Company's existing process plant operated well during the period. However, production was slightly lower than the same period in 2023 due to lower overall grades of vanadium and molybdenum contained within the concentrates processed.

Interim Management Report continued

During the period, two new drying ovens were commissioned which allow the Company to convert a proportion of its production into vanadium pentoxide by disassociation of ammonium metavanadate ("AMV"). Currently, the vanadium pentoxide produced by the plant is in the form of powder but the Company plans to acquire equipment for the production of vanadium pentoxide flakes, opening up a larger and slightly higher priced market. The Company has also started to expand the wet-tailings pond to increase pond capacity by almost 50%, potentially allowing an increase in secondary vanadium and molybdenum production from the solutions held in the pond as well as improving product purity.

The Company has previously sold the residues from the treatment of catalysts as a low grade nickel concentrate but, owing to low nickel prices and high transport costs, the Company has chosen to stockpile this material while a process for its further treatment could be developed by the Company's technical department. This process has since been developed allowing a significant amount of the remaining vanadium and molybdenum to be extracted from the residues, raising the overall extraction of these metals from catalysts to very high levels, as well as enriching the nickel content in the remaining residues so that they can be more cost-effectively transported and achieve a higher price. Following good laboratory test results, test processing at a commercial scale during Q3 2024 did not sufficiently replicate the results achieved in the laboratory and consequently the plant will revert to processing bought-in catalysts during Q4 2024. In the event that global metal prices recover to levels that would make the commercial processing of the nickel residues profitable the plant may resume treating the residues either instead of or concurrently with bought-in catalysts.

Research and development work by our technical department is ongoing to determine whether the Company can process the upgraded nickel concentrates to produce ferro-nickel.

Research and development

The Company is participating in three grant-funded research and development projects in Kazakhstan after competitively tendering projects for awards for the most promising opportunities for commercialisation of scientific and scientific-technical activities.

As previously announced, one project is aimed at producing and commercialising mixed vanadium oxides suitable for the production of electrolyte for vanadium redox flow batteries. This project is in conjunction with the Satbayev University in Almaty, Kazakhstan where the electrolytes are produced from Company oxides and tested in a vanadium redox flow battery, following which the agreed plan is for the commercial sale of three tonnes of mixed oxides. The Company plans to position itself to be able to continue supplying into this market on a fully commercial basis according to demand.

A second project is in association with the Kazakhstan National Engineering Academy to build a pilot-scale plant at the existing plant site, in advance of the construction of the mine, to produce a carbon concentrate direct from the Balasausqandiq ore, rather than from the tailings as noted above, and to develop commercial applications.

A third project is working with the Satbayev University on an improved analytical-chemical process in the treatment of ore.

The Company also cooperates with the Satbayev University to offer work experience to promising students, with opportunities for continuing work with the Company. Not only does this enrich the student experience at the Satbayev University but it also gives the Company a pathway to finding high-quality recruits.

Production

During the period the plant processed 19.4% more tonnes of catalyst compared to the prior year. However, as noted above, the overall metal grades of the catalysts treated were less than those during 2023 resulting in 2% and 32% less vanadium and molybdenum production, respectively. The plant produced 11.7 tonnes more nickel during the period in comparison to 2023, representing a 19.3% increase.

Quarter	2024 Tonnes of vanadium pentoxide*	2023 Tonnes of vanadium pentoxide*	2024 Tonnes of molybdenum**	2023 Tonnes of molybdenum**	2024 Tonnes of nickel***	2023 Tonnes of nickel***
Q1	81.6	31.3	7.1	6.5	33.4	9.7
Q2	87.6	141.4	6.9	14.1	38.8	50.8
H1	**169.2**	**172.7**	**14.0**	**20.6**	**72.2**	**60.5**

* partly contained in AMV

** contained in ferro-molybdenum

*** contained in nickel concentrate

Outlook

Current vanadium prices, as detailed below, are exceptionally low and at a level where it is difficult to forecast overall Group profitability notwithstanding the successful operation of the current process plant and the developments that are being achieved in new processes and improved operations. Nevertheless, the plant is capable of generating a significant contribution to the Group's current overheads which would be incurred as it completes the feasibility study in any case.

Recent monthly average prices of vanadium pentoxide have been in the bottom 4% of such monthly averages, adjusted for inflation, over the last 24 years. Vanadium prices have been impacted by the slow-down in Chinese construction and the sale of Russian product into China at discounted prices. These conditions are not expected to change in the short term but, in the longer term, they must do so to prevent large company closures and reductions in capacity. Significant tonnages are going to be required for planned large-scale vanadium redox flow batteries, most notably in China, and recently announced changes to Chinese re-bar standards will potentially also act to boost demand. Historically, the vanadium price has been volatile and shortages rapidly translate into rising prices, sometimes to extremely high levels.

Meanwhile, the process plant operations are now running smoothly, and the new equipment, products and increased pond and drying capacity will put the Company in a good position to capitalise on rising prices.

Corporate

During the period, the Company listed and sold a third tranche of bonds with a nominal value of US$5m under the terms of the Kazakhstan Bond Programme on the AIX.

Product prices in the period

Vanadium pentoxide

At the start of 2024, the price of vanadium pentoxide was around US5.75/lb, after which the price fluctuated within a band of US$5.00/lb to US$6.00/lb for the entirety of the reporting period under consideration. As at 20 September 2024, the price of vanadium pentoxide was US$5.00/lb.

Ferro-molybdenum

At the start of 2024, the price of ferro-molybdenum was around US$48/kg, after which it remained at a similar level until the end of April. From May onwards the price fluctuated within a band of US$51/kg to US$55/kg until the end of the reporting period. As at 20 September 2024, the price of ferro-molybdenum was US$50/kg.

Earnings and cash flow

The Group generated total revenues of US$2.1m for the period compared to US$3.3m for the first six months of 2023, representing a reduction in overall revenue of US$1.2m. The reduction in revenue reflects the significant decrease in the price of vanadium pentoxide between the two reporting periods (the average price of vanadium pentoxide during the first six months of 2023 was US$9.06/lb in comparison to US$5.58/lb in 2024). Additionally, the Group has undertaken a number of tolling contracts during the period instead of processing its own bought-in concentrates.

The cost of sales for the period under review was US$3.6m in line, given the volumes and nature of concentrates processed, with the first six months of 2023 (2023: US$3.6m).

Administrative expenses for the period were US$1.8m (2023: US$1.3m) representing an increase of US$0.5m mainly attributable to broker commission for the issue of the third tranche of bonds noted above and increased salary costs.

The Group made a loss before and after tax of US$3.99m (2023: loss of US$1.53m).

Net cash outflows used in operating activities were US$2.6m (2023: cash outflow of US$1.0m). Net cash used in investing activities during the period was US$1.1m (2023: cash outflow of US$2.3m). Net cash inflow from financing activities was US$4.5m (2023: cash outflow of US$1.1m) representing the proceeds received from the sale of the third tranche of bonds.

Balance sheet review

At the period end, non-current assets totalled US$14.1m (2023: US$11.9m) reflecting the continued capitalisation of expenses incurred by the Group on the development of the Balasausqandiq feasibility study (as an exploration and evaluation asset).

Current assets, excluding cash balances, totalled US$5.1m at the period end compared to US$5.0m for the prior period.

The Group held an aggregate cash balance of US$2.5m at the period end (2023: US$0.6m) and US$1.1m as at 20 September 2024. The board of directors is currently considering the options available to the Group to increase cash levels to ensure the completion of the feasibility study and the support of the ongoing processing operations. An option available to the board would be the issue and sale of a further trance of bonds under the Kazakhstan Bond Programme.

Interim Management Report continued

The Group held non-current liabilities of US$12.4m at the period end (2023: US$ nil) representing the value of the Company's bonds sold since the inception of the Kazakhstan Bond Programme.

Current liabilities at the period end were US$3.9m (2023: US$3.0m) comprising of trade payables and accrued bond interest.

Environmental, social and governance

Both the existing operation and the planned process plant for Balasausqandiq will have a strongly positive environmental 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.

The CO_2 emissions created 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.

Description of principal risks, uncertainties and how they are managed

(a) Current processing operations

Current processing operations make up a small part of the Company's expected future value but are intended to provide useful cash flows in the near term and allow the Group to gain valuable experience of the vanadium industry. The principal risks of this operation are the prices of its products (vanadium, molybdenum and nickel), availability of vanadium-bearing concentrates and the efficiency of recovery of products from those concentrates.

The Group is constantly reviewing the market opportunities for supplies of vanadium-bearing concentrates from reliable suppliers that can deliver concentrates on a timely basis in order to ensure that the Group does not incur production shortfalls leading to reduced revenues. The Group aims to extract all the useful components of the raw materials so that ultimately no residues remain on site and so that the maximum value is obtained from each tonne treated. By these 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) Balasausqandiq project

The Balasausqandiq project will be a much larger contributor to the Company's value than the current processing operations and is primarily dependent on long-term vanadium prices.

The project is also dependent on raising finance to meet projected capital costs (see below) and the successful construction and commissioning of the project's proposed mine processing facilities. It is not unusual for new mining projects to experience unforeseen problems, incur unexpected costs and be exposed to delays during construction, commissioning, and initial production, all of which could have a material adverse effect on the Company's operations and financial position. The Company has taken steps to mitigate such potential adverse effects by engaging globally recognised engineers and consultants to assist with the development and design of the key elements of the project in addition to the Group's own highly qualified workforce.

(c) Geopolitical situation

The ongoing invasion of Ukraine by Russia is not directly impacting the Group's operations although current low vanadium pentoxide prices are, in part, likely being driven by Russian producers selling at significant discounts to China. The continued main risk of the conflict is to the Group's import and export transport routes, many of which involve transit through Russia. Whilst these are currently operating without issue, sanctions have been made against Russian and Belarusian vehicles transiting through Europe (but not against vehicles registered in other jurisdictions in the region such as Kazakhstan). There is a risk that further sanctions might prevent transit through Russia. The Company continues to review 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 Sea. Routes to China are working normally.

With respect to the global sanctions imposed on certain Russian entities and individuals, the Group monitors the implications of those sanctions on the Group's trading activities on an ongoing basis.

(d) Financing risk

The Balasausqandiq project will require substantial funds to be raised in debt and equity which will be dependent upon market conditions at the time and the successful completion of the Phase 1 feasibility study.

In March of 2021 the Company signed an investment agreement with Vision Blue Resources Limited ("Vision Blue"). Under the terms of this agreement and in addition to Vision Blue's participation in the 2022 equity fundraise, investments totalling US$14.3m 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 also has further options to subscribe up to US$30m at higher prices to partially finance the construction of the project.

The favourable financial and other characteristics of the project determined by studies so far completed give the Directors confidence that the outcome of the Phase 1 feasibility study will be successful. Initial discussions with potential providers of debt finance have been encouraging.

(e) Climate change risk

The Group has not identified any particular climate change related scenarios that would likely have a significant impact on the Balasausqandiq project or the existing operation. The existing operation already functions in an environment that is subject to extreme weather conditions and is, therefore, considered to have a strong resilience to existing and future climate-related scenarios.

(f) 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.

(g) Commodity price risk

As already noted above, the success of the Company is dependent upon the long-term prices of the products to be produced by the planned mine processing facilities. As a result of there being no formally established trading markets for the Company's principal products from the project, there is a risk that price fluctuations and volatility for these products may have an adverse impact on the Company's future financial performance.

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 2024 has been approved by the Board and signed on its behalf by:

William Callewaert

Director

25 September 2024

Condensed unaudited Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2024

	Note	Unaudited six-month period ended 30 June 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Revenue from customers (pricing at shipment)	2	2,170	3,410	6,164
Other revenue (adjustments to price after delivery and fair value changes)	2	(21)	(96)	(448)
Total revenue	2	2,149	3,314	5,716
Cost of sales	3	(3,622)	(3,565)	(6,769)
Gross (loss) / income		(1,473)	(251)	(1,053)
Other income	4	7	13	20
Administrative expenses	5	(1,850)	(1,337)	(3,371)
Distribution expenses		(58)	(66)	(193)
Other expenses	6	(24)	(47)	(471)
Loss from operating activities		(3,398)	(1,688)	(5,068)
Net finance (cost) / income	8	(593)	158	(183)
Loss before income tax		(3,991)	(1,530)	(5,251)
Income tax		-	-	-
Loss for the period		(3,991)	(1,530)	(5,251)
Other comprehensive (loss) / income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations		(761)	496	39
Total comprehensive loss for the period		(4,752)	(1,034)	(5,212)
Loss per share (basic and diluted)	16	(0.008)	(0.003)	(0.012)

These condensed unaudited financial statements were approved by the directors on 25 September 2024 and signed by:

William Callewaert

Director

Condensed unaudited Statement of Financial Position

for the six months ended 30 June 2024

	Note	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 December 2023 $000
ASSETS				
Non-current assets				
Property, plant and equipment	9	5,404	6,072	5,951
Exploration and evaluation assets	10	7,836	5,581	7,145
Intangible assets	11	20	20	20
Prepayments	14	853	185	888
Total non-current assets		14,113	11,858	14,004
Current assets				
Inventories	12	1,800	2,015	1,983
Trade and other receivables	13	2,152	1,892	1,316
Prepayments	14	1,166	1,115	762
Cash and cash equivalents	15	2,528	606	1,952
Total current assets		7,646	5,628	6,013
Total assets		21,759	17,486	20,017
EQUITY AND LIABILITIES				
Equity				
Share capital		55,027	50,827	55,027
Convertible loan notes	16	-	4,019	-
Additional paid-in capital		397	397	397
Share-based payment reserve		20	5	20
Foreign currency translation reserve		(4,883)	(3,665)	(4,122)
Accumulated losses		(45,097)	(37,204)	(41,106)
Total equity		5,464	14,379	10,216
Non-current liabilities				
Loans and borrowings	17	12,396	-	7,393
Provisions		30	33	31
Total non-current liabilities		12,426	33	7,424
Current liabilities				
Trade and other payables	18	3,636	3,074	2,141
Deferred income	19	-	-	102
Interest payable	17	233	-	134
Total current liabilities		3,869	3,074	2,377
Total liabilities		16,295	3,107	9,801
Total equity and liabilities		21,759	17,486	20,017

Condensed unaudited Statement of Changes in Equity

for the six months ended 30 June 2024

	Share capital $000	Convertible loan notes $000	Additional paid in capital $000	Share-based payment reserve $000	Foreign currency translation reserve $000	Accumulated losses $000	Total $000
Balance at 1 January 2023	50,827	4,019	397	5	(4,161)	(35,674)	15,413
Loss for the year	-	-	-	-	-	(1,530)	(1,530)
Other comprehensive income							
Exchange differences arising on translation of foreign operations	-	-	-	-	496	-	496
Total comprehensive loss for the year	-	-	-	-	496	(1,530)	(1,034)
Transactions with owners, recorded directly in equity							
Shares issued, net of issue costs	-	-	-	-	-	-	-
Other transactions recognised directly in equity	-	-	-	-	-	-	-
Balance at 30 June 2023	50,827	4,019	397	5	(3,665)	(37,204)	14,379
Balance at 31 December 2023	55,027	-	397	20	(4,122)	(41,106)	10,216
Balance at 1 January 2024	55,027	-	397	20	(4,122)	(41,106)	10,216
Loss for the period	-	-	-	-	-	(3,991)	(3,991)
Other comprehensive loss							
Exchange differences arising on translation of foreign operations	-	-	-	-	(761)	-	(761)
Total comprehensive loss for the period	-	-	-	-	(761)	(3,991)	(4,752)
Transactions with owners, recorded directly in equity							
Shares issued, net of issue costs	-	-	-	-	-	-	-
Other transactions recognised directly in equity	-	-	-	-	-	-	-
Balance at 30 June 2024	55,027	-	397	20	(4,883)	(45,097)	5,464

Condensed unaudited Statement of Cash Flows

for the six months ended 30 June 2024

	Note	Unaudited six-month period ended 30 June 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Cash flows from operating activities				
Loss for the period		(3,991)	(1,530)	(5,251)
Adjustments for:				
Depreciation and amortisation	3, 5	391	210	476
Write-off of property, plant and equipment		3	-	1
Write-down of inventory to net realisable value		-	-	254
Write-off of non-refundable VAT				30
Share-based payment expense		-	-	15
Net finance cost / (income)	8	593	(158)	183
Cash used in operating activities before changes in working capital		(3,004)	(1,478)	(4,292)
Change in inventories		183	(387)	(609)
Change in trade and other receivables		(836)	(741)	(195)
Change in prepayments		(369)	884	534
Change in trade and other payables		1,495	683	(622)
Change in deferred income	19	(102)	-	102
Net cash used in operating activities		(2,633)	(1,039)	(5,082)
Cash flows from investing activities				
Acquisition of property, plant and equipment	9	(135)	(773)	(978)
Acquisition of exploration and evaluation assets	10	(1,002)	(1,481)	(2,931)
Acquisition of intangible assets	11	(1)	(1)	(1)
Proceeds on fixed asset disposal				-
Net cash used in investing activities		(1,138)	(2,255)	(3,910)
Cash flows from financing activities				
Proceeds / (repayment) from borrowings	17	5,003	(1,112)	6,672
Interest paid	17	(523)	(32)	(157)
Net cash used in financing activities		4,480	(1,144)	6,515
Net increase / (decrease) in cash and cash equivalents		709	(4,438)	(2,477)
Cash and cash equivalents at the beginning of year	15	1,952	4,331	4,331
Effect of movements in exchange rates on cash and cash equivalents		(133)	713	98
Cash and cash equivalents at the end of the period		2,528	606	1,952

Notes to the Condensed unaudited Financial Statements

for the six months ended 30 June 2024

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 2024.

(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 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 geopolitical situation with respect to Russia and Ukraine.

The Group now has the facilities and capacity in place to operate profitably and although the amount of those profits available to fund the Group's ongoing overhead costs 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 existing operation's property, plant and equipment ("PP&E") for impairment (Note 9) at 30 June 2024. In doing so, net present value cash flow forecasts were prepared using the value in use method which required key estimates including vanadium pentoxide and ferro-molybdenum prices, production including the impact of ongoing PP&E maintenance costs and an appropriate discount rate. Key estimates included:

- Production volumes of 72 tonnes per month of vanadium pentoxide (or equivalent as AMV) and 12 tonnes of molybdenum (as ferro-molybdenum) from 2025 thereafter.
- Average prices of vanadium pentoxide of US$5.50/lb and ferro-molybdenum of US$51/kg in 2024 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 14.7% post tax in real terms.

Based on the key assumptions set out above, the recoverable amount of PP&E (US$8.9m) exceeds its carrying amount (US$5.4m) by US$3.5m and, therefore, PP&E has not been impaired.

Inventories (Note 12)

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.

Notes to the Condensed unaudited Financial Statements continued

Exploration and evaluation assets (Note 10)

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 Use Agreement ("SUA"). Judgement was required in determining that a current application for deferral of obligations under the SUA will be granted and management anticipate such approvals being provided given 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 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Sales of vanadium products	1,264	2,340	3,308
Sales of ferro-molybdenum	720	955	2,698
Sales of nickel products	-	109	143
Tolling revenue	179	-	-
Service revenue	7	6	15
Total revenue from customers under IFRS 15	2,170	3,410	6,164
Other revenue (*adjustments to price after delivery and fair value changes*)	(21)	(96)	(448)
Total revenue	2,149	3,314	5,716

Vanadium products

Under certain sales contracts the single performance obligation is the delivery of AMV to the designated delivery point at which point possession, title and risk on the product transfers to the buyer. The buyer makes an initial provisional payment based on volumes and quantities assessed by the Company and market spot prices of vanadium pentoxide for AMV 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. The final pricing is based on the historical average market prices during a quotation period based on the date the product reaches the port of destination and an adjusting payment or receipt will be made to the revenue initially received. 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 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Materials	2,438	2,651	4,832
Wages, salaries and related taxes	659	538	1,128
Depreciation	355	190	425
Electricity	60	42	94
Other	110	144	290
	3,622	3,565	6,769

4 Other income

	Unaudited six-month period ended 30 June 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Currency conversion gain	3	8	8
Other (sales of equipment)	4	5	12
	7	13	20

5 Administrative expenses

	Unaudited six-month period ended 30 June 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Wages, salaries and related taxes	955	867	2,023
Professional services	120	61	315
Taxes other than income tax	-	-	18
Listing and financing expenses	356	97	155
Audit	107	126	125
Materials	22	24	48
Rent	37	17	40
Depreciation and amortisation	36	20	51
Insurance	43	2	44
Bank fees	5	12	23
Travel expenses	23	13	89
Communication and information services	9	8	30
Other	137	90	410
	1,850	1,337	3,371

Notes to the Condensed unaudited Financial Statements continued

6 Other expenses

	Unaudited six-month period ended 30 June 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Currency conversion loss	20	27	59
Write-down of inventory to net realisable value	-	-	254
Write-down of obsolete assets	-	-	1
Share-based payment expense	-	-	15
Other	4	20	142
	24	47	471

7 Personnel costs

	Unaudited six-month period ended 30 June 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Wages, salaries and related taxes	1,702	1,610	3,232
	1,702	1,610	3,232

Personnel costs of US$537,000 (2023: US$495,000) have been charged to cost of sales, US$955,000 (2023: US$867,000) to administrative expenses and US$210,000 (2023: US$248,000) were charged to cost of inventories which were not yet sold as at the end of the period.

8 Finance costs

	Unaudited six-month period ended 30 June 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Net foreign exchange gain	(28)	(175)	(83)
Interest expense on financial liabilities (bonds)	621	17	266
Net finance cost / (income)	593	(158)	183

9 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 2023	1,959	2,723	458	43	174	3,448	8,805
Additions	-	254	-	1	8	510	773
Transfers	255	46	-	-	-	(301)	-
Disposals	-	(4)	-	-	(5)	-	(9)
Foreign currency translation difference	35	51	10	-	3	64	163
Balance at 30 June 2023	2,249	3,070	468	44	180	3,721	9,732
Balance at 31 December 2023	5,015	3,822	522	49	256	242	9,906
Additions	-	81	-	2	-	52	135
Transfers	-	194	-	-	-	(194)	-
Disposals	-	(3)	-	-	(1)	-	(4)
Foreign currency translation difference	(179)	(150)	(19)	(1)	(9)	(2)	(360)
Balance at 30 June 2024	4,836	3,944	503	50	246	98	9,677
Depreciation							
Balance at 1 January 2023	708	2,256	322	28	57	-	3,371
Depreciation for the period	45	165	16	2	7	-	235
Disposals	-	(4)	-	-	(5)	-	(9)
Foreign currency translation difference	12	41	7	1	2	-	63
Balance at 30 June 2023	765	2,458	345	31	61	-	3,660
Balance at 31 December 2023	851	2,621	361	33	89	-	3,955
Balance at 1 January 2024	851	2,621	361	33	89	-	3,955
Depreciation for the period	226	227	17	3	10	-	483
Disposals	-	(1)	-	-	-	-	(1)
Foreign currency translation difference	(41)	(104)	(14)	(1)	(4)	-	(164)
Balance at 30 June 2024	1,036	2,743	364	35	95	-	4,273
Carrying amounts							
At 1 January 2023	1,251	467	136	15	117	3,448	5,434
At 30 June 2023	1,484	612	123	13	119	3,721	6,072
At 31 December 2023	4,164	1,201	161	16	167	242	5,951
At 30 June 2024	3,800	1,201	139	15	151	98	5,404

Depreciation expense of US$355,000 (2023: US$190,000) has been charged to cost of sales, excluding cost of finished goods that were not sold at year-end, US$36,000 (2023: US$20,000) to administrative expenses, and US$96,000 has been charged to the cost of finished goods that were not sold at the end of the period (2023: US$67,000).

Construction in progress relates to upgrades to the processing plant associated with the expansion of the facility.

Notes to the Condensed unaudited Financial Statements continued

10 Exploration and evaluation assets

The Group's exploration and evaluation assets relate to the Balasausqandiq deposit. During the six month period ended 30 June 2024, the Group capitalised the costs of technical design, sample test-work and project management costs, all relating to the Company's Stage 1 feasibility study. As at 30 June 2024, the carrying value of exploration and evaluation assets was US$7.8m (2023: US$5.6m).

	Unaudited six-month period ended 30 June 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Balance at 1 January	7,145	4,208	4,208
Additions (Stage 1 feasibility study)	1,002	1,481	2,931
Foreign currency translation difference	(311)	(108)	6
Balance at 30 June / 31 December	7,836	5,581	7,145

11 Intangible assets

	Mineral rights $000	**Patents $000**	**Computer software $000**	**Total $000**
Cost				
Balance at 1 January 2023	83	32	3	118
Additions	-	1	-	1
Foreign currency translation difference	1	1	-	2
Balance at 30 June 2023	84	34	3	121
Balance at 31 December 2023	84	34	3	121
Balance at 1 January 2024	84	34	3	121
Additions	-	1	-	1
Foreign currency translation difference	(3)	(1)	-	(4)
Balance at 30 June 2024	81	34	3	118
Amortisation				
Balance at 1 January 2023	83	13	3	99
Amortisation for the year	-	1	-	1
Foreign currency translation difference	1	-	-	1
Balance at 30 June 2023	84	14	3	101
Balance at 31 December 2023	84	14	3	101
Balance at 1 January 2024	84	14	3	101
Amortisation for the year	-	1	-	1
Foreign currency translation difference	(3)	(1)	-	(4)
Balance at 30 June 2024	81	14	3	98
Carrying amounts				
At 1 January 2023	-	19	-	19
At 30 June 2023	-	20	-	20
At 31 December 2023	-	20	-	20
At 30 June 2024	-	20	-	20

During the six months ended 30 June 2024 and 2023, amortisation of intangible assets was charged to administrative expenses.

12 Inventories

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 December 2023 $000
Raw materials and consumables	815	1,422	1,456
Finished goods	975	584	517
Work in progress	10	9	10
	1,800	2,015	1,983

During the six months ended 30 June 2024, inventories expensed to profit and loss amounted to US$2.4m (six months period ended 30 June 2023:US$2.7m).

13 Trade and other receivables

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 December 2023 $000
Current			
Trade receivables from third parties	1,215	920	264
Due from employees	20	55	66
VAT receivable	918	920	1,049
Other receivables	63	64	4
	2,216	1,959	1,383
Expected credit loss provision for receivables	(64)	(67)	(67)
	2,152	1,892	1,316

The expected credit loss provision for receivable relates to credit impaired receivables which are in default and the Group considers the probability of collection to be remote given the age of the receivable and default status.

14 Prepayments

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 December 2023 $000
Non-current			
Prepayments	853	185	888
	853	185	888
Current			
Prepayments for goods and services	1,166	1,115	762
	1,166	1,115	762

Notes to the Condensed unaudited Financial Statements continued

15 Cash and cash equivalents

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 December 2023 $000
Cash at current bank accounts	551	592	1,488
Cash at bank deposits	1,976	13	417
Petty cash	1	1	47
Cash and cash equivalents	2,528	606	1,952

16 Equity

(a) Share capital

Number of shares unless otherwise stated

	Ordinary shares		
	Unaudited 30 June 2024	Unaudited 30 June 2023	Audited 31 December 2023
Par value	-	-	-
Outstanding at beginning of year	483,222,238	449,702,150	449,702,150
Shares issued	-	-	33,520,088
Outstanding at end of period	483,222,238	449,702,150	483,222,238

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. During 2023, the convertible loan notes held by Vision Blue were converted into equity under the terms of the Convertible Loan Note agreement in place between the Company and Vision Blue. Further information can be found in the Company's 2023 Annual Report.

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.

Share-based payment: Share options issued during the period.

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 considered as permanent equity.

Accumulated losses: Cumulative net losses.

(b) Dividends

No dividends were declared for the six months ended 30 June 2024 (2023: US$ nil).

(c) Loss per share (basic and diluted)

The calculation of basic and diluted loss per share has been based on the loss attributable to ordinary shareholders and the 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 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Loss for the period, attributable to owners of the Company	(3,991)	(1,530)	(5,251)
Loss attributable to ordinary shareholders	(3,991)	(1,530)	(5,251)

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

Shares	**Unaudited six-month period ended 30 June 2024**	Unaudited six-month period ended 30 June 2023	Audited year ended 31 December 2023
Issued ordinary shares at 1 January (after subdivision)	483,222,238	449,702,150	449,702,150
Effect of shares issued (weighted)	-	-	3,857,106
Weighted-average number of ordinary shares at period / year end	483,222,238	449,702,150	453,559,256
Loss per share of common stock attributable to the Company: (Basic and diluted / US$)	(0.0083)	(0.0034)	(0.012)

17 Loans and borrowings

In 2023 the Company launched a US$20m bond programme in Kazakhstan ("the Programme") and issued two tranches of unsecured corporate bonds under the Programme with effective interest rates of 9.2% and 10.4%, respectively. In 2024, the Company issued a third tranche of bonds under the Programme with an effective interest rate of 11.5%.

With respect to the first tranche of bonds (2023), investors have subscribed for a total of 1,500 bonds with a nominal value of US$2,000 each. These bonds are unsecured, have a three-year term and bear a coupon rate of 9%, paid twice-yearly. The bonds have been listed on AIX with ISIN number KZX000001474.

With respect to the second tranche of bonds (2023), investors have subscribed for a total of 50,000 bonds with a nominal value of US$100 each. These bonds are unsecured, have a three-year term and bear a coupon rate of 10%, paid quarterly. The bonds have been listed on AIX with ISIN number KZX000001623.

With respect to the third tranche of bonds (2024), investors have subscribed for a total of 50,000 bonds with a nominal value of US$100 each. These bonds are unsecured, have a three-year term and bear a coupon rate of 11%, paid quarterly. The bonds have been listed on AIX with ISIN number KZX000001946.

Notes to the Condensed unaudited Financial Statements continued

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 December 2023 $000
Non-current liabilities			
Bonds payable	12,396	-	7,393
	12,396	-	7,393
Current liabilities			
Interest payable	233	-	134
	233	-	134

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions below:

	Unaudited six-month period ended 30 June 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
At 1 January	7,527	1,127	1,127
Cash flows:			
– Interest paid	(523)	(32)	(157)
– Repayment of loans and borrowings	-	(1,112)	(1,112)
– Proceeds from loans and borrowings	5,003	-	7,784
Total	12,007	(17)	7,642
Non-cash flows			
– Interest accruing in the period	622	17	273
– Bond discount / premium	-	-	(388)
At 30 June / 31 December	12,629	-	7,527

18 Trade and other payables

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 December 2023 $000
Trade payables	2,565	2,550	1,781
Debt to directors/key management (Note 22)	-	11	79
Debt to employees	242	154	192
Other taxes	52	225	72
Advances received	777	134	17
	3,636	3,074	2,141

19 Deferred income

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000	Audited 31 December 2023 $000
Government grants	-	-	102
	-	-	102

During 2023, the Group was awarded grant funding by the Kazakhstan Science Fund for the development of technology for the production of mixed vanadium oxides for use in vanadium redox flow batteries.

20 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.

Notes to the Condensed unaudited Financial Statements continued

21 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 2024

	Processing $000	Subsoil $000	Corporate $000	Total $000
Revenue	2,149	-	-	2,149
Cost of sales	(3,622)	-	-	(3,622)
Other income	6	-	1	7
Administrative expenses	(475)	(42)	(1,333)	(1,850)
Distribution & other expenses	(82)	-	-	(82)
Finance costs	217	-	(810)	(593)
Loss before tax	(1,807)	(42)	(2,142)	(3,991)

Unaudited six-month period ended 30 June 2023

	Processing $000	Subsoil $000	Corporate $000	Total $000
Revenue	3,314	-	-	3,314
Cost of sales	(3,565)	-	-	(3,565)
Other income	8	-	5	13
Administrative expenses	(402)	(24)	(911)	(1,337)
Distribution & other expenses	(113)	-	-	(113)
Finance costs	(40)	-	198	158
Loss before tax	(798)	(24)	(708)	(1,530)

Audited year ended 31 December 2023

	Processing $000	Subsoil $000	Corporate $000	Total $000
Revenue	5,716	-	-	5,716
Cost of sales	(6,769)	-	-	(6,769)
Other income	15	-	5	20
Administrative expenses	(1,130)	(41)	(2,200)	(3,371)
Distribution & other expenses	(649)	-	(15)	(664)
Finance costs	(139)	-	(44)	(183)
Loss before tax	(2,956)	(41)	(2,254)	(5,251)

Included in revenue arising from processing are revenues of US$2.2m (2023: US$3.1m) which arose from sales to four of the Group' largest customers. No other single customer contributes 10 per cent or more to the Group's revenue.

All of the Group's assets are attributable to the Group's processing operations.

Sales to the Group's largest customers during the six months ended 30 June 2024 were as follows:

Customer A	US$ 1.0m (45%) (2023:US$ 1.5m)
Customer B	US$ 0.4m (17%) (2023: US$1.5m)
Customer C	US$ 0.4m (20%) (2023: US$ 0.1m)
Customer D	US$ 0.4m (18%) (2023: nil)

22 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 2024 $000	Unaudited six-month period ended 30 June 2023 $000	Audited year ended 31 December 2023 $000
Wages, salaries and related taxes	538	474	1,114

The amount of wages and salaries outstanding at 30 June 2024 is equal to US$ nil (2023: US$11,000).

Other

The Company is party to a sub-let agreement between Turian Sports Horses Limited as head lessee and NH Limited as landlord for the rental of office space in Guernsey. Turian Sports Horses Limited is wholly owned by James Turian, one of the Company's directors and NH Limited is owned by James Turian and Sharon Turian, equally. Sums paid to NH Limited during the six months ended 30 June 2024 were US$7,214 (2023: US$10,667).

Company Information

Ferro-Alloy Resources Limited

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