

Ferro-Alloy Resources Limited
Annual Report
2023



Ferro-Alloy Resources Limited

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“A low-cost vanadium producer emerging in Kazakhstan..”

Ferro-Alloy Resources Limited is developing the giant Balasausqandiq vanadium deposit in the Kyzylordinskaya oblast of southern Kazakhstan. Being sedimentary in nature, unlike most other primary vanadium deposits in the world, Balasausqandiq has the potential to have lower capital and operating costs, as a result of the lack of need for pre-concentration and roasting of the ore, and valuable by-products. Planned output will be increased in stages to reach a target maximum capacity of around 24,000 tonnes of vanadium pentoxide a year.

“The development of Balasausqandiq has the potential to make a significant impact on the world of vanadium. We intend on meeting the rapidly expanding demand from battery storage as well as for the steel industry faster, at lower capital costs per annual tonne, and at a lower cash production cost than other existing or planned vanadium producers.”

Nicholas Bridgen, *Chief Executive Officer*



Operational Review

Whilst the main focus of the Group is on the feasibility study of the Balasausqandiq vanadium deposit, the Group is engaged in the business of extracting vanadium, molybdenum and nickel from purchased concentrates. This business resulted from the conversion and expansion of the large-scale test-plant that was constructed to pilot and test the metallurgical processes to be used in the main Balasausqandiq project.

This operation is intended to provide a cash flow to assist with the substantial ongoing costs of the preparation of the feasibility study and to contribute to the construction costs of the Balasausqandiq project mining operations.

A second objective is to retain the high quality technical and operating team that developed the metallurgical processes to be used in the main Balasausqandiq project so that they are available to assist with the feasibility study, design and future construction and operation of Phase 1 and Phase 2 of the Balasausqandiq project. As a result, the Group's workforce is experienced and will have a high level of technical and operational expertise prior to commissioning of the mine, significantly de-risking the project.

Process plant

By the start of 2023, the plant had been significantly expanded and equipment added to enable the full recovery of all of the components of the purchased concentrates, and, more importantly, no tailings or other residues are ultimately left on-site.

Although the plant is designed to be flexible and able to treat a variety of raw materials, the most common raw materials treated are the spent catalysts used to remove impurities from crude oil in refineries. These typically contain vanadium, molybdenum and nickel, all of which can be recovered.

Improvements to the plant during the year have included the construction of a dedicated area for the aluminothermic production of ferro-molybdenum, a new dissociation oven for the conversion of ammonium metavanadate ("AMV") to vanadium pentoxide, two new press-filters and other equipment to enable the re-pulping and further vanadium extraction from the nickel-rich residues. The main fuel for the ovens was converted from diesel to liquid gas which is both lower cost and lower in emissions. Various air-cleaning equipment has been installed, considerably improving the working environment and external emissions.

Production

During 2023, the plant has operated well, although production has been constrained by supplier defaults and delays in the delivery of concentrates to the plant, the latter made considerably worse by the war in Ukraine.

During the year, production of vanadium pentoxide and molybdenum (in ferro-molybdenum) amounted to 310.5 tonnes (2022: 305.5 tonnes) and 34.3 tonnes (2022: 36.0 tonnes), respectively.

Quarter	Production of Vanadium pentoxide (tonnes)	Growth vs last year	Production of Molybdenum (tonnes)	Growth vs last year
Q1	31.3	-61.4%	6.5	-42.5%
Q2	141.4	+54.2%	14.1	+35.6%
Q3	47.3	-32.3%	6.4	-41.8%
Q4	90.5	+44.1%	7.4	+124.2%
2023 total	310.5	1.6%	34.4	-4.4%

The plant also produced a nickel concentrate for sale to customers during the year.

Product prices (mid-market, as published) have broadly deteriorated by between 31% and 33% during the year, as shown in the table below:

	Start of 2023	Average for the year	End of 2023	Current (19 April 2024)
Vanadium pentoxide (US\$/lb)	9.44	8.33	6.53	5.86
Ferro-molybdenum (US\$/kg of Mo)	72.5	58.42	48.7	47.6

Production Outlook

The plant is capable of making significant cash flows but production to date has been restrained by a variety of factors, including indiscipline by suppliers and logistical problems.

The Group has accumulated significant experience in the business and is now sourcing concentrates from more reliable counterparties and has started to source some materials on a tolling basis which eliminates the risk of price movements between the time of purchase of concentrates and the sale of the product. Whilst there is always a chance of supply disruptions, the Directors believe that the situation will be much improved during 2024.

Vanadium prices are extremely weak, generally attributed to the slowing Chinese construction sector which is very important for overall demand. The current price is around US\$6/lb, compared with US\$9.44/lb at the start of 2023. The longer-term outlook for vanadium prices is more bullish. Foreseeable increases in demand for vanadium redox flow batteries ("VRFBs") as well as for vanadium-containing steels as the construction sector in China recovers exceed planned production increases and are expected to bring about a more balanced market where prices recover. Expectations in the longer term, expressed in current prices, are generally above US\$8/lb.

Molybdenum prices are currently around US\$47/kg of Molybdenum contained in ferro-molybdenum, compared with US\$72.5/kg at the start of 2023.

Operational Review continued

Grant funded Research and Development projects

The Group has been awarded grant funding in Kazakhstan for three research and development projects that are all capable of delivering a significant benefit to our business.

Electrolyte for vanadium redox flow batteries

VRFBs are a means of energy storage particularly suitable for the longer-duration storage of energy from intermittent renewable sources. VRFBs have certain advantages over lithium-ion technology, including being scalable, not degrading over time and not catching fire, which make them more suitable for bulk, longer duration, energy storage.

The worldwide roll-out of VRFBs appears to have started and although forecasts vary, the general expectation is that the demand for vanadium electrolyte purposes will expand to become a significant part of overall vanadium demand.

The Company's wholly owned Kazakhstan subsidiary, Firma Balausa LLC, is receiving grant funding of KZT300 million (approximately US\$638,000) for the development of technology, installation of equipment and production and sale of mixed vanadium oxides for use in VRFBs. KZT203.5 million of the grant funding had been received by the end of 2023.

The decision to award the grant was made by Kazakhstan's National Scientific Council which awarded the grant for the most promising commercialisation of the results of scientific and scientific-technical activities.

The Company announced on 2 September 2020 that it had developed and patented technology to produce vanadium electrolyte directly from AMV. The ability to make vanadium electrolyte directly from AMV provides not only the required know-how to enter this market, but also a cost advantage over traditional processes.

After a period of testing and development, the plan is to continue to produce and market vanadium tri-oxide and, if there is demand in the local region, to supply electrolyte. The aim is to position the Group to be able to supply at a large scale into this potentially very large market when the main Balasausqandiq project is commissioned.

Production of carbon concentrate for the substitution of carbon black in the making of rubber

The Group is working with the National Engineering Academy of the Republic of Kazakhstan on a technological project covering the industrial production and usage of carbon-silica fillers in the making of rubber. The aim of the project is to construct a pilot plant, substantially funded by government grants, on the Group's existing processing site to concentrate the Group's carbon tailings to provide over ten tonnes of fine-ground carbon-silica concentrate per month for testing and marketing. The expectation is that construction of the new pilot plant will be completed around the end of 2024 or early 2025, allowing test marketing and offtake negotiations for the product well in advance of the commissioning of the first Phase 1 module of the main Balasausqandiq project.

Production of rare metal concentrates from vanadium-containing ore

The Group has been awarded grant funding as a private partner to a Satbayev University programme for the development of new metallurgical technologies.

Feasibility Study Review

The main objective of the Group is to bring into production the Balasausqandiq deposit and to build a processing plant to treat 1.1 million tonnes of ore per year (Phase 1) mined from Ore Body 1 ("OB1") and later increase to a total of four million tonnes per year (Phase 2) through the additional mining of Ore Bodies 2, 3 and 4 ("OB2, 3 and 4"). The plans for Phase 2 may be amended to be staged in terms of additional modules at the same or similar scale to Phase 1.

Balasausqandiq deposit

The Balasausqandiq deposit is exceptional in a number of ways. Primarily, it is not a typical vanadiferous magnetite deposit but a sedimentary deposit and is expected to have lower capital and operating costs.

Furthermore:

- The ore is amenable to a whole-ore pressure acid leach process which gives a higher metallurgical recovery than conventional magnetite extraction;
- Pre-concentration of the ore and high temperature roasting are not required;
- There are potentially valuable by- or co- products within the ore, principally carbon, which can be easily recovered without significant additional processing;
- Major infrastructure items of power and road and rail connections already exist on site or nearby; and
- The Balasausqandiq deposit is a very large deposit and is easily mined from an open pit. Phases 1 and 2 combined envisage production of 24,000 tonnes per year of vanadium pentoxide, over 10% of current world supply.

The development of the deposit is planned to be in two phases, Phase 1 and Phase 2. Phase 1 will involve the construction and operation of an initial process plant treating one million tonnes per year of ore, followed, as soon as commissioning has been successfully concluded, by a Phase 2 operation for a further three million tonnes per year. The staging is to allow for the reduction of engineering scale-up risk and to also allow time for the development of markets as production increases. The staged development also reduces the amount of capital that has to be raised for the initial development, with the second stage to be largely financed by the earnings of the first.

Exploration

There are six known ore-bodies in the deposit and there is some evidence of a seventh. Of these, only OB1 has now been explored sufficiently to declare a resource under the CRIRSCO approved standards.

A revised mineral resource estimate was issued by the Company's consultants SRK in April 2023 and included the following highlights:

- An Indicated Mineral Resource of 32.9 million tonnes for OB1, at a mean grade of 0.62% vanadium pentoxide ("V₂O₅"), reported at a marginal cut-off grade of 0.4% V₂O₅ – equating to 203,364 contained tonnes of V₂O₅
- An increase of 8.6 million tonnes (35.4%) of mineral resource and an increase of 38,058 tonnes (23%) of contained V₂O₅ by comparison with the estimate contained in the Company's 2018 Competent Persons Report
- The results of the previously reported infill drilling and trenching programmes completed during 2021/22 have been successful in converting 100% of the Resources to Indicated for the OB1 deposit. No Measured or Inferred Resource are stated
- A total of 75 diamond core holes and 88 trenches were used to define the Resource (a reduction of drill section spacing to 250 metres from the original 500 metres increased confidence)
- Confirmation that there are reasonable prospects for eventual economic extraction by constraining the Mineral Resources to an optimised open pit shell (50 degree slopes and a revenue factor of 1) using a selling price for 98% V₂O₅ flake of US\$9.82 /lb

Feasibility Study Review continued

Summary Report for April 2023 MRE OB 1 Resource

Classification	Zone	Tonnage (Mt)	%V ₂ O ₅	%Mo	%U	%C
Indicated	Oxide	1.57	0.67	0.014	0.0047	7.16
	Transitional	1.25	0.66	0.014	0.0045	7.17
	Fresh (Sulphide)	30.08	0.61	0.015	0.0052	8.83
Total		32.90	0.62	0.015	0.0051	8.69

OB2, 3 and 4

The drilling of OB2, 3 and 4 has been completed and receipt of the final assay results and corresponding mineral resource estimate are awaited. Due to topography, some 25% of the planned exploration area has proved to be difficult and expensive to access and as a result has not been drilled (albeit the Company does not expect the area to create difficulties for actual mining).

The mineral resource estimate for OB2,3 and 4 will exclude the area of difficult topography, however, based on semi-quantitative XRF analysis carried out on cores by the Company, the amount drilled is expected to provide ample ore to provide a relatively long life for the Phase 2 development.

Open pit geotechnical drilling

The open pit geotechnical study has been completed and the results will be used to confirm the open pit slope design.

Open pit hydrogeological drilling

Open pit hydrogeological drilling for OB1 has been completed and the hydrogeological study will be concluded as a part of the mine planning study.

Water supply hydrogeological drilling

A water bore drilling investigation for the water supply has been completed with the results awaiting final reporting.

Tailings management

The tailings management facility site selection study has been completed and a ground investigation programme of boreholes and test pits undertaken. The soil samples collected during the ground investigation are currently undergoing a programme of geotechnical testing at a soil investigation laboratory in Kazakhstan.

Processing

Metallurgy

Extraction of vanadium during acid leaching, following initial pilot and subsequent testing, continues to be between 94-97% vanadium extraction into solution.

Metallurgical testing including engineering tests, solid liquid separation tests, tailings product assessment and vanadium recovery to a saleable product continued at SGS Canada Inc ("SGS") managed by Tetra Tech Limited ("Tetra Tech").

Carbon and ferro-silicon feed products from tailings

Test-work on the extraction of a carbon concentrate and on its use as a substitute for carbon black has been included within the scope of the Phase 1 feasibility study. Flotation tests show that the necessary >40% concentrate can be made with good overall carbon recovery. Testing of the product for use in making rubber by substitution for carbon black has been successfully completed and a further test programme to produce tyre industry normative data has been commissioned.

Transport logistics studies and further test programmes aimed at facilitating marketing and product qualification are planned. Test-work on alternative uses for the carbon-rich tailings as feed to ferro-silicon smelting is also ongoing.

Process design

The process plant design by Tetra Tech is focussed on employing the results of the SGS laboratory test work to initially design the comminution, leaching circuit and full process design criteria for the Phase 1 plant.

Conclusion

The Company expects the publication of the Phase 1 feasibility study in the fourth quarter this year to significantly raise awareness of the emergence of this new addition to the global vanadium market at the time of growing investor appreciation for rising vanadium use in the construction and green energy economy.

Discussions with various potential investors and debt funders have already been initiated but the publication of the feasibility study is expected to trigger the advancement of these discussions.

Financial Review

Earnings

The Group reported revenues of US\$6.16m for the year compared to US\$6.77m in 2022, reflecting a 9% decrease in sales over the period.

US\$'000	2023	2022
Revenue from shipments recorded at the price at time of dispatch	6,164	6,773
Adjustments to revenue after final price determination and fair value changes	(448)	(502)
Total revenue	5,716	6,271

Revenue is recognised at the time of transfer of control of the Group's products to the customer but, as is common in the industry, the final pricing determination is often based on assay and prices after arrival of the goods at the final port of destination, particularly with respect to the sale of vanadium pentoxide products. The adjustments to revenue reflect these final pricing determinations which occur after the relevant revenue is initially recognised.

Recorded revenues for the year have decreased in comparison to the previous year primarily due to falling market prices, for both vanadium pentoxide and molybdenum, as well as concentrate supply issues impacting production and, therefore, sales at the Group's existing operation.

As a result of the general downward trend in the pricing of vanadium pentoxide during the year, a number of the Group's sales contracts were subject to a negative final pricing determination upon arrival at the final port of destination leading to an overall negative revenue adjustment of c. US\$0.45m for the year (2022: US\$0.50). The average published 2024 price of vanadium pentoxide to the date of this report is US\$5.65/lb.

Cost of sales decreased to US\$6.8m from US\$7.5m in 2022, primarily reflecting the stabilisation of reagent and fuel costs in the CIS region following the Russian invasion of Ukraine at the start of 2022. The largest part of the cost of sales is the purchase of raw materials, the price for which is determined as a percentage of the value of the content of vanadium at the prices prevailing at the time of purchase.

Administrative expenses of US\$3.4m (2022: US\$2.5m) have increased by approximately US\$0.9m during the year as a result of increased wages and salary costs of US\$0.04m as well as general increased expenditure as the Group expands in preparation for the financing and construction of the Phase 1 mining facilities at the Balasausqandiq deposit.

The Group incurred other expenses during the year of US\$0.47m (2022: US\$0.43m) comprising currency

conversion losses (representing transactional foreign exchange differences), a write down of slow moving / obsolete stocks held at the existing plant and raw material stock adjustments.

The Group made an overall loss for the year of US\$5.25m (2022: loss of US\$4.29m).

Cashflow

Net cash outflows from operating activities, before changes in working capital, for the year totalled US\$4.3m (2022: US\$3.7m) following adjustments for depreciation, amortisation, inventory write-downs and net finance losses. Changes in trade and other receivables increased by US\$0.2m (2022: US\$1.0m) as a result of product sales recorded at the conclusion of the year (received after the year-end) and adjustments made to recoverable VAT due from the Kazakh authorities at the year end. Changes in trade payables decreased by US\$0.62m (2022: increase US\$1.56m) mainly as a result of concentrate suppliers being paid down during the ordinary course of business.

Net cash outflows from investing activities totalled US\$3.9m (2022: US\$4.3m) and included US\$0.98m (2022: US\$1.47m) of capital expenditure associated with the expansion and upgrade of the processing operation's production facilities and US\$2.93m (2022: US\$2.87m) of expenditure on the Phase 1 feasibility study capitalised as an exploration and evaluation asset (see Note 13).

Net cash inflows from financing activities for the year were US\$6.5m (2022: US\$9.2m), representing the proceeds of the sale of two tranches of bonds under the Kazakhstan bond programme summarised below. Other financing activities include the repayment of existing bondholders of US\$1.1 (2022: US\$0.3m) and interest payable to the Company's bondholders of US\$0.16m (2022: US\$0.08m).

The Group held cash of US\$1.95m at 31 December 2023 (2022: US\$4.331m).

Balance sheet review

Total non-current assets increased to US\$14m from US\$10.93m principally due to the continued capitalisation of the feasibility study as an exploration and evaluation asset.

Current assets decreased from US\$8m to US\$6m, driven mainly by a US\$2.4m reduction in cash and cash equivalents held by the Group at the year end.

Total non-current liabilities increased by approximately US\$7.39m during the year from US\$0.03m to US\$7.42m as a

result of the issue and sale of the two tranches of corporate bonds noted above.

Current liabilities decreased during the year from US\$3.5m to US\$2.4m mainly as a result of the maturity and repayment of the Company's corporate bonds in existence prior to the launch of the Kazakhstan bond programme. At the year end, the Company recognised US\$0.1m of deferred income in relation to the award of a government grant with respect to the manufacture of vanadium oxide variants.

Corporate

During July 2023, the Company launched a new phased US\$20 million exempt offer bond programme on the Astana International Exchange (the "AIX") in Kazakhstan (the "Bond Programme").

The salient features of the Bond Programme are as follows:

- the Bond Programme will comprise one or more tranches of bonds, each listed on the AIX;
- the total nominal value of all tranches issued under the Programme will not exceed US\$20 million;
- each tranche of the Bond Programme will be offered only to accredited investors based in Kazakhstan and governed by the laws and regulations of the Astana International Financial Centre;
- bonds issued under the Bond Programme will be denominated in either US dollars or Kazakhstan tenge with interest payable to bondholders bi-annually;
- all bonds issued will rank as unsecured debt obligations of the Company;
- the applicable coupon rate, duration, issue price and other relevant terms of any bonds issued under the Bond Programme will be defined and determined by the terms and conditions of each tranche of bonds issued; and
- the Bond Programme will be valid until 31 July 2033.

Prior to the year end, the Company issued and sold two tranches of bonds under the Bond Programme for net proceeds of US\$7.8m. See Note 21 for further details.

During November 2023, the Company received notice from Vision Blue Resources Limited ("Vision Blue") to convert the outstanding convertible loan notes into ordinary shares. Accordingly, 33,520,088 ordinary shares were issued to Vision Blue taking their total shareholding in the Company to 111,071,783 ordinary shares representing 22.99% of the Company's issued share capital at the year end (2022: 77,551,695 ordinary shares / 17.3%). See Note 20 for further details.

Key performance indicators

The Group is in a period of development and its current operations, the processing of bought-in secondary vanadium-containing materials for extraction of vanadium and other metals, are relatively small in comparison with the main objective of the Group to develop the Balasausqandiq deposit and processing facility. Moreover, the current operations are themselves undergoing a significant change which means that operations are not in a steady state capable of meaningful inter-period comparisons. The Directors are, therefore, of the opinion that key performance indicators may be misleading if not considered in the context of the development of the operation as a whole for which the information for shareholders is better given in a descriptive manner than in tabular form.

The existing processing business of the Group is complex. The Group's business model has been developed to allow maximum flexibility in the type of raw materials treated so that the most profitable materials can be selected for treatment at any given point in time. Nevertheless, the Directors consider that the main indicator of performance, although subject to interpretation as described above, is the level of production (refer to the Operational Review at page 2 for further information).

Sustainability Review

Our approach

The Company aims to maximise value for its investors and all stakeholders from the responsible, efficient, and low-cost production of vanadium and other commodities from the Balasausqandiq deposit. We seek to re-use or recycle wherever possible and to minimise the environmental and social impacts of our operations whilst ensuring the health and wellbeing of the Group's workforce.

These objectives have guided the Company's approach to the development of the project, where we already produce vanadium pentoxide, ferro-molybdenum and nickel concentrates from bought-in raw materials treated in our expanded pilot plant, and we are carrying out a feasibility study into the much larger development of the mine and processing plant for Balasausqandiq itself.

Balasausqandiq is a unique vanadium deposit which also contains a valuable mixture of carbon, uranium, molybdenum, aluminium, potassium and rare-earth elements. Vanadium and several of the other elements the Group already produces will play an important role in the world's transition to clean energy and a more sustainable future.

The Company believes that there is both a commercial and ethical imperative to maximise the value that can be extracted from each tonne of raw material which is mined and processed. The Phase 1 feasibility study underway on the development of Balasausqandiq is, therefore, considering the optimum approach that can maximise resource utilisation by processing all the constituents of the ore to the point where it becomes a saleable product.

Development of appropriate frameworks

As an exploration and development Group, we have sought to minimise our environmental impacts whilst ensuring that all employees can work safely, avoiding accidents and reducing the risk of long-term health hazards. We aim to comply with all applicable laws, report accurately where required, and implement appropriate governance standards.

As the Group grows to become a producer of critical commodities, it will develop an enhanced and comprehensive approach to address environmental, social, health and safety issues within an appropriate governance framework. Such an approach will need to recognise the requirements of all key stakeholders including local communities, governments, employees, and investors as well as customers.

To this end, the Company has appointed independent consultants to undertake an analysis of our existing principles, controls, procedures, and performance metrics by comparison to the standards they believe are reasonably applicable to the Company and its lenders and investors, in particular, the Equator Principles and the IFC Performance Standards. Following their initial report, their conclusions and recommendations are being used to guide our plans for the development of the project and the direction of the Stage 1 feasibility study.

The Company has also committed to comply with the Financial Reporting Council's reporting recommendations contained in their publication "Streamlined Energy and Carbon Reporting".

Extracting full value from our production

The Group believes that there is the potential for 100% of the raw materials it currently treats and 100% of the ore it will mine to be recovered and sold as useful products and we ultimately aim to produce little or no residual waste or discharge from our existing or future operations.

The Group's principal product, vanadium, has a significant role in the decarbonisation of the world economy. Small quantities of vanadium in micro-alloyed steel dramatically improve the steel's strength meaning lower volumes of steel are required to achieve the same goal, for example in structural steels for building construction. This has significant environmental benefits along the steel production chain as it reduces the raw materials required, cuts the energy used in production and results in lower volumes being transported.

Furthermore, a growing source of demand for vanadium is for VRFBs that can be used as a safe and economical way to store electrical energy at grid scale. Such batteries will be essential if the contribution of renewable energy to the world's energy mix is to rise substantially as we move towards the decarbonisation targets of the Paris Agreement.

The Group is also already producing and selling both ferro-molybdenum which is used in steel alloys to increase strength, hardness, electrical conductivity and resistance to corrosion and wear and a nickel concentrate which is again used in the alloying of steel as well as having an important use in the production of electric vehicle batteries.

Apart from vanadium, the main product to be produced from the Balasausqandiq operation is a form of carbon, similar to carbon black, which can be concentrated and used in the production of rubber or directly used to make ferro-silicon.

The remaining tailings from Balasausqandiq have a number of potential uses which continue to be investigated.

Minimising impacts from production

We believe that the Phase 1 feasibility study for Balasausqandiq will confirm that any adverse environmental impacts of our operation are likely to be significantly below those of our peer group. We believe this can be a source of competitive differentiation for the Company amongst customers who are increasingly reviewing supply chain ESG performance when sourcing vital materials.

Most of the world's vanadium is made from titanovanadiferous magnetite ("TVM"). The primary production of vanadium from TVM ore requires pre-concentration and then roasting at approximately 1,100 degrees C to convert the vanadium into a soluble form to enable recovery. Roasting alone accounts for over 40% of the energy used by one major primary producer using TVM ore. At Balasausqandiq, the ore is different, and the proposed process does not require pre-concentration or roasting, significantly reducing CO₂ emissions.

The proposed production process at Balasausqandiq involves leaching in sulphuric acid which we expect to make by processing the sulphur that is currently removed as an impurity from oil and gas production in Kazakhstan. The process, which produces no CO₂, is exothermic and requires no significant energy input. The waste heat produced will be used to make steam for the hydrometallurgical process, further reducing energy requirements and CO₂ emissions.

The production of carbon from the Balasausqandiq ore for use as carbon black in making rubber is also much more energy efficient than competitive processes. Carbon black is usually made by the incomplete combustion of hydrocarbons, where only some 40% of the original hydrocarbon input is recovered. The carbon from Balasausqandiq is naturally occurring and avoids this combustion of hydrocarbons and the associated emissions of CO₂.

Social

The Group's operations utilise land which is unsuitable for agricultural use and the nearest human habitation is 16 kilometres away in the village of Aksumbe. There are no competing land uses or requirement to re-locate communities as we develop operations. The social impact of the operations will, therefore, be limited. Existing infrastructure such as access roads and available grid power further reduces the impact on the local population.

Economic impact on the local community

Nearly all the Group's employees are Kazakhstan nationals, and, with the exception of specialists, most are hired from the local villages and the nearby town of Shieli. The Group currently employs an operating and management team of over 200 employees. As the Group grows, it will enhance and develop its employment policies and procedures.

The Group pays salary taxes for employees including income tax, social security tax and pension contributions, and VAT on purchases and in due course will pay corporation tax and withholding taxes. In addition, under the terms of the Subsoil Use Agreement for the Balasausqandiq deposit, the operating company is required, during the period of mining and based on the subsoil activity, to pay:

- 1% of annual investment on education in Kazakhstan;
- 1.5% of annual investment on local development and infrastructure; and
- 1% of annual profits on research and development.

In addition, the Group has signed an agreement with the Satbayev Technical University where selected post graduate students will be given technical work experience opportunities with respect to the Group's operations.

Mine closure

The Company has prepared an environmental study in full compliance with the laws of Kazakhstan and also aims to meet international standards. As part of this study, a mine closure plan has been prepared and the Company is required to contribute 1% of annual mining costs to a mine closure fund to ensure that funds are available when the time comes. The Company will aim to back-fill the open pit with waste rock from mining and contour surplus waste as mining progresses.

Water

Water is almost fully recycled and no discharges are made from the site. In 2023 water consumption was 16,985 m³ (2022: 13,204 m³).

A hydrogeological study is being carried out which will assess the availability and likely sufficiency of water for processing and human needs. Water is currently drawn using natural pressure from a borehole. Currently, no water is discharged from operations, although there are losses from evaporation. Whilst there is not expected to be a shortage, the Group already recycles as much water as possible and plans to do the same for the Balasausqandiq project. The Balasausqandiq project process has been designed to operate on a low liquid: solid ratio to minimise water usage and associated reagent use.

Sustainability Review continued

Performance indicators

Health and safety

During the year, the Group had no reported health and safety incidents that led to time lost, staff requiring medical treatment or hospitalisation and no fatalities (2022: nil).

Energy and emissions

The table below discloses the Group's greenhouse gas emissions for 2023, including both emissions resulting from activities for which the Group is responsible e.g. the combustion of fuel (Scope 1 emissions) and emissions resulting from the purchase of electricity, heat or steam cooling by the Group for its own use (Scope 2 emissions).

All of the Group's emissions have been generated outside the United Kingdom and offshore area.

Scope 1 (energy generated on site)

	2023		2022	
	KwH	CO ₂ e (tonnes)	KwH	CO ₂ e (tonnes)
Process plant				
Coal for heating/steam	1,645,833	452	1,828,333	502
Diesel for roasting	3,114,103	833	9,087,401	2,430
Liquid gas for roasting	1,780,100	476	-	-
Diesel for other plant	23,333	6	21,532	6
Other				
Coal for heating	1,719,167	472	1,577,499	433
Diesel (vehicles)	223,847	0.4	234,940	0.4
Petrol (vehicles)	22,341	0.8	22,341	0.8
Total scope 1	8,528,724	2,240	12,772,046	3,373

Scope 2 (purchased electricity)

	2023		2022	
	KwH	CO ₂ e (tonnes)	KwH	CO ₂ e (tonnes)
Process plant				
Whole plant	1,505,460	*-	1,190,180	*-
Total scope 2	1,505,460	-	1,190,180	-
Total scope 1 and scope 2	10,034,184	**2,240	13,962,226	**3,373.0

* this information is currently not available in Kazakhstan

** includes Scope 1 only

Energy consumption

The Group has consumed 10,034,184 kWh (2022: 13,962,226 kWh) of energy during the year.

All of the Group's energy consumption has taken place outside the United Kingdom and offshore area.

Intensity ratio

The Group will determine a suitable intensity ratio once all relevant data is available.

Energy efficiency

The key energy efficiency adopted by the Group during the year has been to continue to include energy saving initiatives within the Group's processing plant future development planning.

Methodology

The Group has adopted the standard methodology issued by the Kazakhstan Ministry of Ecology.

In disclosing the Group's emissions output and energy consumption during the year, the Company has done so on an equity share approach. Accordingly, given that all of the Company's subsidiary undertakings are wholly owned by the Company, the activities of the entire group are included within the disclosures made.

Climate Change Disclosures

As a responsible corporate entity operating in the natural resources sector, the Company is committed to the recognition and disclosure of the potential impacts of climate change on the Company's and Group's business activities.

The Company supports the initiatives and recommendations of the now disbanded Task Force on Climate-related Financial Disclosures ("TCFD") and has taken steps to develop climate-related financial disclosures that it considers are consistent and appropriate with both the recommended disclosures of the TCFD and the current position of the Company. The Company will review future climate change disclosures in light of relevant IFRS issued standards.

The TCFD recommended disclosure framework comprises four broad categories of disclosure (pillars); governance, strategy, risk management and metrics and targets. Within each category of recommended disclosure, the TCFD has identified further specific disclosures that the Company should report on. The Company has reported on this basis below.

The Company has considered the appropriate level of detail to be included within the various disclosures having regard to the nature and size of the Company's current operations and the planned future operations following the construction of the mine processing facilities at the Balasausqandiq deposit.

The conclusion is that the majority of the specific disclosures sought by the TCFD recommendations in the context of the current operation, the purchase and treatment of vanadium-containing concentrates, are unlikely to be either useful or meaningful to the reader of these financial statements but that the disclosures will have far more relevance and applicability following the commissioning of the main Balasausqandiq mine processing facilities. The effects of climate change on that operation are being considered as part of the Company's ongoing Phase 1 feasibility study.

Accordingly, the disclosures noted below are provided generally in the context of the operation of the bought-in concentrate processing plant and will be expanded to cover the main future operations upon completion of the Phase 1 feasibility study into the Company's planned mine and associated processing facilities.

The disclosures made below are consistent with the TCFD recommendations and recommended disclosures.

Governance

1. Oversight of climate-related risks and opportunities

The Board is ultimately responsible for the oversight of the risks and opportunities that are presented by the potential effects of climate change on the Company's business activities. The Company's executive directors maintain day-to-day responsibility for the recognition and effect of climate change on the Company's operations.

In advance of the start of mining operations, the Company has constituted a sustainability committee, comprising the chairman, the chief executive officer and a non-executive director, that will guide and support the actions of the Board with respect to climate-related matters.

2. Assessment and management of climate-related risks

The Board in conjunction with the sustainability committee will consider and set appropriate Company policies that will govern how the Company's management will assess and manage climate-related risks and opportunities in advance of the commissioning of the mine.

The Company's executive directors and Group managers will be responsible for the implementation and monitoring of the policies set.

The management of the current operation is responsible for assessing and managing climate-related risks and opportunities at the existing plant.

Risk Management

3. Identification and assessment of climate-related risks

With respect to the existing operation, the identification and assessment of climate-related risks and opportunities is carried out by management on an ad-hoc basis.

As noted above, the Company is progressing a feasibility study on the Balasausqandiq deposit. Included within the study will be an environmental and social impact assessment ("ESIA") that, once completed, will identify and assess the climate-related risks of the project and how those risks can be managed and mitigated.

4. Processes adopted for managing climate-related risks

With respect to the bought-in concentrate processing plant, no specific climate change risks have been identified. The availability of concentrates is expected to increase in the coming years as international regulations prohibiting the burning of low-grade fossil fuels are implemented, requiring more use of vanadium-containing catalysts for the refining of oil that comprise the largest part of the Group's existing plant feed-stock. If a climate-related risk is identified and assessed as likely to have an impact on the operations of the plant, the plant's management will implement measures to manage the impact.

In conjunction with the ESIA, an environmental and social management system ("ESMS") will be designed and developed as part of the Phase 1 feasibility study and adopted in full once the Balasausqandiq mine has been commissioned. The ESMS will identify the relevant processes for the management of climate-related risks arising from the operation of the mine.

5. Integration of climate-related risk management into the organisation's overall risk management

The ESIA noted above is an integral part of the Company's Phase 1 feasibility study and, therefore, a key element of the Balasausqandiq project. Accordingly, the foreseen climate-related risks of the project (and the management / mitigation of same) will be incorporated into the Company's overall risk management by virtue of the adoption of the monitoring systems and controls recommended by the ESIA and ESMS.

Strategy

6. Climate-related risks and opportunities

Opportunities

1. Vanadium

The main climate-related opportunity presented to the Company is the predicted expansion of the global vanadium market as a result of the transition to a lower-carbon world economy.

The demand for vanadium is expected to be driven by two factors – growth of long-term energy storage solutions that use vanadium as a key component and an increased use of vanadium in steel making, a high carbon dioxide emitting industry, where vanadium as an alloy material can improve the strength of steel and consequently reduce the quantity of steel needed.

2. Carbon

A secondary climate-related opportunity for the Company is the carbon material found within the ore of the Balasausqandiq deposit.

The Company's expectation is that the carbon within the ore, once extracted, will be capable of substituting for certain grades of carbon black used within industries such as car tyre manufacturing.

Carbon black is usually produced by the incomplete combustion of hydrocarbons in specific atmospheric conditions and typically generates significant levels of carbon dioxide during production. The carbon in the Company's ore can be recovered with relatively low-level emissions which are mostly necessary for the extraction of the principal vanadium product. Car tyre manufacturers will, therefore, be able to cut their supplier-related emissions by the use of this product.

Risks

The climate-related risks of the project will be identified and evaluated by the Company's Phase 1 feasibility study in due course. No significant climate-change risks to the current operation have been identified.

7. Impact of climate-related risks and opportunities on business, strategy and financial planning

Climate-related risks and opportunities do not materially impact on the business, strategy and financial planning for the bought-in concentrate processing plant given the relatively small size of the operation.

The impact on the Balasausqandiq deposit mining operations will be considered by the Company's ongoing feasibility study.

8. Resilience of the organisation's strategy with respect to climate-related scenarios

With respect to the bought-in concentrate processing plant, the plant's management have not identified any particular climate-related scenarios that would likely have a significant impact on its ongoing operations. The plant already operates 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.

The resilience to climate-related scenarios for the Balasausqandiq mining operations will be identified and evaluated during the construction and commissioning of the mine.

Climate Change Disclosures continued

Metrics and Targets

9. Climate related risk / opportunity metrics

Given the small-scale nature of the bought-in concentrate processing plant, the Company will develop metrics to assess climate-related risks and opportunities in line with its strategy and risk management processes once the Balasausqandiq mining operation has been commissioned.

10. Energy and emissions

Relevant emissions statistics are disclosed within the Sustainability Review on page 10.

11. Climate-related risk / opportunity performance targets

Given the small-scale nature of the bought-in concentrate processing plant, the Company will develop performance targets to manage climate-related risks and opportunities in line with its strategy and risk management processes once the Balasausqandiq mining operation has been commissioned.

Alignment Status

The following table provides a summary of the Group's current alignment with the TCFD recommendations:

TCFD pillar	Recommended disclosure	Current status	Alignment
Governance	Oversight of climate-related risks and opportunities	Oversight provided by the board of directors. Sustainability committee formed.	Comply
	Assessment and management of climate-related risks	Current operations: climate-related risks assessed and managed by incumbent management team. Main mine climate-related risks to be determined by the board of directors following mine commissioning.	Partial
Risk management	Identification and assessment of climate-related risks	Identification and assessment of climate-related risks for current operations completed by incumbent management. Identification and assessment of climate-related risks for the main mine to be captured by the feasibility study ESIA.	Partial
	Processes adopted for managing climate-related risks	On an ad-hoc basis by the incumbent management team with respect to current operations. ESMS being developed for the main mine for adoption on commissioning of the main mine.	Partial
	Integration of climate-related risk management into the organisation's overall risk management	Integration to occur following the adoption of the ESIA and ESMS.	Planned
Strategy	Climate-related risks and opportunities	Identified and considered above.	Comply
	Impact of climate-related risks and opportunities on business, strategy and financial planning	No material impact on current operations. Impact on the main mine to be considered by the ongoing feasibility study.	Partial
	Resilience of the organisation's strategy with respect to climate-related scenarios	No climate-related scenarios identified with respect to current operations. Resilience of the strategy with respect to climate-related scenarios for the main mine will be tested following construction and commissioning.	Partial

Climate Change Disclosures continued

TCFD pillar	Recommended disclosure	Current status	Alignment
Metrics and targets	Climate related risk / opportunity metrics	To be adopted following the commissioning of the main mine.	Planned
	Energy and emissions	Disclosure with respect to current operations completed.	Comply
	Climate-related risk / opportunity performance targets	To be adopted following the commissioning of the main mine.	Planned

Principal Risks and Uncertainties

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 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) 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:

While 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 Directors remain vigilant of the situation. The continued main risk of the conflict is to the Group's 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 into Latvia, through which the majority of the Company's exports currently flow. 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. 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.

Principal Risks and Uncertainties continued

(e) Climate change risk:

Refer to the Sustainability Review on page 10 and the Climate Change Disclosures on page 14.

(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.

Governance Statement

General

As a consequence of the ordinary shares of the Company being admitted to the standard segment of the Official List of the London Stock Exchange, the requirements of the UK Corporate Governance Code, published by the Financial Reporting Council, do not apply to the Company. The Guernsey Finance Sector Code of Corporate Governance does not apply to the Company since the Company is not regulated by the Guernsey Financial Services Commission. However, the Board recognises the importance of good corporate governance and has implemented recognised corporate governance practices as far as is considered appropriate by the Board whilst considering the size and nature of the business.

The Board is responsible for the overall corporate governance of the consolidated Group, guiding and monitoring the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Composition of the Board

Having regard to the Company's stage of development, the Directors believe that the size of the current board comprising seven directors, three of whom are executive and four are non-executive, is appropriate. The Directors intend that there will always be at least as many non-executive directors as there are executive directors.

Board committees

Audit

The Company has created an audit committee that is responsible for considering all financial reporting matters and ensuring that they are properly reported and monitored. It is also responsible for the review and assessment of the independence of the external auditors and approval of any non-audit services, review of the external audit strategy and findings, assessment of whether an internal audit function is necessary considering the activities and size of the business and oversight of significant financial reporting matters. The committee is chaired by James Turian and Christopher Thomas is a member. Mr Turian has a background in accounting, trust and management and is a director of a firm of accountants in Guernsey which the Board considers to be recent and relevant experience to carry out his responsibilities as chairman.

Remuneration

The Company has also created a remuneration committee to consider all matters related to salary and benefits of senior staff and executive directors. The remuneration of non-executive directors is a matter for the Board as a whole. No director will take part in discussions concerning his own remuneration package. Mr Thomas is the chairman of the committee and Mr Turian is a member.

Nomination

The Directors are of the opinion that due to the nature and size of the Company and its current Board, the functions often carried out by a nomination committee can be more successfully conducted by the full board of directors and so no such committee has been created.

Sustainability

The Company has constituted a sustainability committee comprising the chairman, the chief executive officer and a non-executive director that will guide and support the actions of the Board with respect to sustainability related matters, particularly once the Company's Phase 1 feasibility study has been issued and construction of the mine has commenced.

Code of conduct

The goal of establishing the Company as a significant mining and processing company is underpinned by its core values of honesty, integrity, common sense and respect for people. The Company desires to be a good corporate citizen in all the jurisdictions within which it operates, and to appropriately balance, protect and preserve all stakeholders' interests. In particular, the Company gives paramount concern to the safety of its employees and the maintenance of high environmental standards.

Shareholder communication

The Board aims to ensure that shareholders and investors have equal access to Company information.

The Company aims to promote effective communication with shareholders and encourage effective participation at general meetings through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs.

Governance Statement continued

Internal control and risk management systems

The Company's accounting and finance team is relatively small and subject to close control by the executive directors. For this reason, the audit committee and the Board are of the opinion that it is not yet appropriate for there to be a separate internal control department or internal audit function but has implemented various procedures and internal controls to provide assurance to the Directors that accounting and financial risks are adequately controlled.

These include:

- The preparation and regular updating of cash flow forecasts, changes to which are closely monitored by the executive directors who discuss necessary changes on an almost daily basis;
- Significant contracts require approval by the Directors and approval must follow a specified approval matrix; and
- All Group payments must be authorised by a director and payments by the Company require two directors' signatures on all payments over US\$6,000.



Board of Directors



Sir Mick Davis
Non-executive Chairman

Sir Mick Davis holds a number of directorships at private companies and is a highly successful mining executive accredited with building Xstrata plc into one of the largest mining companies in the world prior to its acquisition by Glencore plc. Before listing Xstrata on the LSE as CEO he was CFO of Billiton plc and Chairman of Billiton Coal which he joined from the position of Eskom CFO.

During his career in mining he has raised almost US\$40bn from global capital markets and successfully completed over US\$120bn of corporate transactions, including the creation of the Ingwe Coal Corporation in South Africa; the listing of Billiton on the LSE; the merger of BHP and Billiton; as well as numerous transactions at Xstrata culminating in the sale to Glencore plc.

Sir Mick Davis is a Chartered Accountant by profession, and holds an honours degree in Commerce from Rhodes University, South Africa and an Honorary Doctorate from Bar Ilan University, Israel.



Nicholas Bridgen
Chief Executive Officer

Nick started his career in 1975 as a Chartered Accountant at Peat Marwick Mitchell & Co (now KPMG). In 1979, he moved to the Rio Tinto Group, becoming senior group accountant in 1981. He then moved to the Business Evaluation Department for the Group in 1985 and was Group Planning Manager for the RTZ Pillar Group which held the engineering, building products and chemical companies. Nick spent 14 years with Rio Tinto. In the mid-1990s, he was finance director at Bakyrchik Gold plc and in 1998, he founded Hambleton Mining plc which acquired the Sekisovskoye gold project, listing the company on AIM and taking the project from exploration, through construction and into a producing mine.

Since 2006, Nick has been a director and more recently, CEO, of Ferro-Alloy Resources Limited. In the role of CEO, Nick is ultimately responsible for all aspects of the Ferro-Alloy Resources Group. He holds a Bachelor's degree with honours from Exeter University, is a Chartered Accountant and has also studied corporate finance at the London Business School. He speaks Russian.



Andrey Kuznetsov
Director of Operations

Andrey started his career in 1981 as an industrial engineer at Kirov Engineering Plant in Almaty. After three years he became Chief of the Scientific Department in the Central Committee of Youth (Comsomol). In 1987, Andrey became general director of the Almaty NTTM "Kontakt" centre. In 1995-1996, he was the CEO of the Kazakhstan subsidiary of Alfa-Bank. Andrey has been the general director of Firma Balausa LLC since 2006. He holds a Specialist's degree in electrical engineering from Bauman Moscow State Technical University and a PhD in informal mathematical logic. He has also studied management at Coventry University.

As Director of Operations Andrey is responsible for the management of operations in Kazakhstan and execution of the Company strategy and policies approved by the Board.



William Callewaert
Chief Financial Officer

William graduated in 2002 from the University of Durham with an honours degree in Law after which he trained as a Chartered Accountant in audit services with leading tax, accounting and business advisory firm, Blick Rothenberg. Having qualified in 2006, William's career progressed within advisory services at Grant Thornton, KPMG and BDO in both the UK and offshore.

William is responsible for the overall management of the Group's finances, future funding requirements and general statutory compliance. William is a fellow of the Institute of Chartered Accountants in England and Wales.



Christopher Thomas
Non-executive Director
(Chairman of the remuneration committee and member of the audit committee)

Chris has nearly 35 years' experience in the communications industry. He has held various high-level management positions including CEO of Proximity London from 2003 to 2006 - one of the largest direct and digital agencies in London. In 2006, Chris was appointed Chairman & CEO of BBDO and Proximity in Asia, subsequently adding the Middle East and Africa to his responsibilities. He worked with major multinational companies across the growth markets of SE Asia, China, India and Africa. In May 2015, Chris moved to New York to take up the role of CEO of BBDO in the Americas, with responsibility for 21 agencies in the U.S., Canada and Latin America. In February 2019 he stepped down from his Americas role to concentrate on his entrepreneurial interests. He also served as a non-executive director on the board of Hambleton Mining from 2004 to 2011.

Chris is the chairman of the remuneration committee which considers and approves the remuneration of all senior executives including that of the executive directors. He is also a member of the Company's audit committee.



Petrus Nienaber
Non-executive Director

Peet has several decades of experience in the mining sector, most notably spending over 24 years with what became Xstrata plc. At Xstrata he was initially Head of Operations, spearheading the earliest days of the company, including its growth to be the largest producer of ferrochrome. Thereafter he spent 10 years as CEO of Xstrata Alloys, one of the largest producers of ferrochrome and a leading producer of vanadium, with some 20,000 people under Peet's leadership. After retiring from the position in 2012, Xstrata Alloys subsequently went on to be acquired by Glencore plc.

Peet began his career as an engineer at Iscor Ltd before spending several years in the ferroalloys industry at Samancor and Anglo American plc.



James Turian
Non-executive Director
(Chairman of the audit committee and member of the remuneration committee)

James started his career in 1986 and has a background in accounting, trust and management. James has previously been involved with several mining companies in Perth, Australia, including assisting Cooper Energy in their restructuring in the early 2000s. From 2000 to 2011 James owned and operated a trust company in Guernsey which he sold to concentrate on accountancy and currently is a director of "Accounts For You Limited", a Guernsey accountancy firm. He holds several other directorships. James is a Chartered Fellow of the Securities Institute IAQ and is a Fellow of the Institute of Directors.

James is the chairman of the audit committee where he is responsible for chairing the audit committee meetings.

Senior Management Team



Andrey Kuznetsov
Deputy Director of Operations

Having graduated from the Saint-Petersburg State University with a Masters in Mathematics and Bachelor in Economics Andrey started his career as a management consultant with boutique consultancy firm, Strategica. Andrey then joined Danish company Dinex, in Russia, as a finance director for two years before moving to Denmark to complete an MBA at the Copenhagen Business School.

Post MBA, Andrey joined Danish company ECCO where he spent almost 8 years in various roles across Denmark, Netherlands and Russia. Andrey's final role at ECCO was General Manager East, where he was responsible for ECCO distribution markets in Russia, Ukraine, Georgia, Moldova and Bulgaria.

Andrey joined the Group in 2019 as the finance director of the Company's Kazakhstan subsidiary, Firma Balausa LLC. In 2022, Andrey was appointed deputy general director of Firma Balausa LLC to support the general director with operations and the Company's Phase 1 feasibility study.



Anvar Moldakhanov
Finance Director

Anvar started his career in accounting as an associate at PricewaterhouseCoopers in London during 2001. Since then, he has held senior finance positions in various industries in Kazakhstan, including mining, media and advertising, manufacturing, and real estate, with a successful track record in both financial management and mergers and acquisitions.

Anvar holds a Bachelor's degree in Economics with honours from Warwick University as well as having studied Applied Mathematics at Novosibirsk State University. He is a qualified Chartered management accountant.

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2023.

General

Ferro-Alloy Resources Limited ("the Company") is registered in Guernsey as a non-cellular limited company.

The Company's principal place of business and registered office is Noble House, Les Baissieres, St Peter Port, Guernsey, Channel Islands.

Principal activity

The Company is the holding company of a group of wholly owned companies (together, "the Group") which carries on a mining and mineral processing business with operations located at the Balasausqandiq vanadium/polymetallic mineral deposit in the Kyzylordinskaya Oblast in southern Kazakhstan.

Review of business

A review of the business during the year is included within the Operational Review at page 2.

The Group's business and operations and the results thereof are reflected in the attached financial statements.

The principal risks and uncertainties facing the Company are summarised at page 19.

Results and dividend

During the 12 months ended 31 December 2023, the Company reported a loss of US\$5.3m (2022: loss of US\$4.3m).

No dividends have been declared or paid in respect of the years ending 2023 or 2022.

Share capital and funding

The ordinary shares of the Company were listed on the standard segment of the main market of the London Stock Exchange on 28 March 2019 and, on a fully fungible basis, on the Astana International Stock Exchange on 6 January 2020.

Full details of the Company's share capital, together with details of the movements in the Company's issued share capital during the year, are set out in Note 20 to the consolidated financial statements on page 57.

Directors

The board of directors ("the Board") is comprised of three executive directors and four non-executive directors.

Current directors

The directors of the Company who held office during the year and to the date of this report are as follows:

- Sir Mick Davis
- Nicholas Bridgen
- Andrey Kuznetsov
- William Callewaert
- Christopher Thomas
- Petrus Nienaber
- James Turian

The biographical details of those directors that served during the year are set out at pages 24 to 25.

Election and re-election of directors

In accordance with the Company's Articles of Incorporation, any director who has been appointed by the Board since the date of the previous annual general meeting or who has not previously retired at the two preceding annual general meetings shall stand for election or re-election at the next general meeting. However, for the purposes of good corporate governance, all directors put themselves forward for re-election at each annual general meeting.

At the Company's annual general meeting held on 1 November 2023, all appointed directors were re-elected to their respective roles.

Attendance at scheduled Company board meetings

	Scheduled (5)
Sir Mick Davis	● ● ● ● ●
Nicholas Bridgen	● ● ● ● ●
Andrey Kuznetsov	● ● ● ● ●
William Callewaert	● ● ● ● ●
Christopher Thomas	● ● ● ● ●
Petrus Nienaber	● ● ● ● ●
James Turian	● ● ● ● ●

Directors' Report continued

Remuneration

	Salary/ fees (\$'000)		Benefits (\$'000)		Pension (\$'000)		Bonus/other (\$'000)		Total (\$'000)	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Sir Mick Davis	-	-	-	-	-	-	-	-	-	-
Nicholas Bridgen	340	360	36	44	-	-	-	-	376	404
Andrey Kuznetsov	240	260	-	-	-	-	-	-	240	260
William Callewaert	148	224	4	4	-	-	-	-	152	228
Christopher Thomas	40	40	-	-	-	-	-	-	40	40
Petrus Nienaber	40	40	-	-	-	-	-	-	40	40
James Turian	40	40	-	-	-	-	-	-	40	40
Total	848	964	40	48	-	-	-	-	888	1,012

Director's interests in the issued share capital of the Company

The interests of the Directors in the Company's issued share capital at 31 December 2023 and at the date of the signing of this report are as follows:

	31 Dec 2023 Number of Ordinary Shares	31 Dec 2023 % of Share Capital	31 Dec 2022 Number of Ordinary Shares	31 Dec 2022 % of Share Capital
Sir Mick Davis	*-	-	*-	-
Nicholas Bridgen	59,472,133	12.3	53,072,133	11.8
Andrey Kuznetsov	68,517,333	14.2	68,517,333	15.2
Christopher Thomas	**6,456,845	1.2	**6,456,845	1.4
James Turian	500,000	0.1	444,712	0.1

* Sir Mick Davis is the Chairman of Vision Blue Resources Limited and the beneficiary of a Trust that is a shareholder in Vision Blue Resources Limited and, therefore, he indirectly has an interest in that company's investment in Ferro-Alloy Resources Limited arising from the investment agreement in place between the two entities.

** including shares of Assiduous Group Limited which holds 5,912,133 ordinary shares. Assiduous Group Limited is an investment vehicle in which Christopher Thomas is the sole shareholder and director.

Director's interests in share options of the Company

On 12 September 2023, the Company granted share options over 250,000 ordinary shares in the Company to William Callewaert, Chief Financial Officer. The share options have an exercise price of 9.1 pence being the closing mid-market price of the Company's ordinary shares as quoted on the main market of the London Stock Exchange on the last business day before the date of grant. See Note 20 for further details.

Substantial Shareholdings

A list of shareholders who beneficially hold more than 5% of the Company's shares at 31 December 2023 is as follows:

Name of shareholder	Number of Ordinary Shares	Percentage of voting rights
Vision Blue Resources Limited	111,071,783	22.99%
Andrey Kuznetsov	68,517,333	14.18%
Nicholas Bridgen	59,472,133	12.31%

Directors' Indemnity Insurance

During the year, Director's and Officer's liability insurance was maintained for the Directors and other officers of the Group.

Political Donations

The Group did not make any political donations during the year.

Electronic Communications

The Directors are responsible for ensuring that the Company's annual report and financial statements are made available on a website. Financial statements are published on the Company's website (www.ferro-alloy.com) in accordance with applicable legislation in Guernsey governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Board Diversity

In accordance with UK Listing Rule 14.3.33, the Company has not met the required targets with respect to board diversity given the Company's stage of development and size. The Directors recognise the importance of diversity in both the workplace and at board level and will take steps towards achieving the requirements of UK Listing Rule 14.3.33.

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 Directors are confident, having conducted relevant analyses with respect to estimated concentrate availability and production levels, that the Company has sufficient resources, following the issue and sale of two tranches bonds under the Bond Programme during year and a further tranche after the year end, to continue as a going concern for at least the next 12 months.

Events Occurring After the Reporting Period

On 30 January 2024, the Company listed and sold a third tranche of bonds with a nominal value of US\$5m under the terms of the Bond Programme on the AIX.

Auditor

Crowe U.K. LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint Crowe U.K. LLP will be proposed at the Company's forthcoming annual general meeting.

Statement as to Disclosure of Information to Auditor

The Directors who were in office at the date of the approval of the consolidated financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and that each director has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board of Directors and signed on its behalf



William Callewaert

Director

26 April 2024

Directors' Responsibility Statement

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group for that period and of the profit or loss of the Group for that period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law.

In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

To the best of the Directors' knowledge:

- a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law, give a true and fair view of the assets, liabilities, financial position and profit or loss of Ferro-Alloy Resources Limited and the undertakings included in the consolidation as a whole; and
- b) the management report includes a fair review of the development and performance of the business and the position of Ferro-Alloy Resources Limited and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board of Directors



William Callewaert

Director

26 April 2024

Independent Auditor's Report

to the members of Ferro-Alloy Resources Limited

Opinion

We have audited the financial statements of Ferro Alloy Resources Limited and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS").

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2023 and of the its loss for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Assessing the accuracy of forecasting by comparing previous forecasts with actual results;
- Assessing the cash flow requirements of the Group over the duration of the going concern period based on budgets and forecasts;
- Understanding the forecast expenditure that is committed, and that which could be considered discretionary;
- Considering the liquidity of existing assets in the statement of financial position; and
- Considering potential downside scenarios and the resultant impact on available funds.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be \$300,000 (2022 \$280,000), based on approximately 1.5% of total assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Performance materiality was set at 70% of materiality for the financial statements as a whole, which equates to \$210,000 (2022: \$195,000).

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

Independent Auditor's Report continued

We agreed with the Audit Committee to report to it all identified errors in excess of \$12,500 (2022: \$10,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through the Parent Company based in Guernsey whose main function is the incurring of administrative costs and providing funding to the operating entities in Kazakhstan. In addition to the Parent Company, the subsidiary Firma Balausa LLC was considered to be a significant component.

In establishing our overall approach to the group audit, we determined the type of work that needed to be performed in respect of each component. A full scope audit of both the Parent Company and Firma Balausa LLC subsidiary was carried out principally in Kazakhstan by a local Crowe network member firm, at the direction of instructions provided by the Group auditor. The consolidation was audited by the Group auditor. The remaining components of the group were considered non-significant and these components were subject to analytical procedures performed by the Group auditor.

A member of the Group audit team visited Kazakhstan to meet with local management and substantiate information and explanations provided during the audit work.

Our involvement with component auditors

For the work performed by the component auditor, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole. Our involvement with the component auditor included the following:

- Detailed group instructions were sent to the component auditor, which included the significant areas to be covered by the audit (including areas that were deemed to be key audit matters as detailed below), the level of component materiality, and set out the information required to be reported on to the Group auditor;
- The Group auditor reviewed the component auditor's working papers at their offices in Kazakhstan and held regular calls with the component auditor throughout the engagement;
- We held calls and meetings with Group and component management to discuss accounting and audit matters arising.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified going concern as a key audit matter and our work in this area is detailed in the section headed 'Conclusions relating to going concern'. The other key audit matters we have identified are set out below. This is not a complete list of all risks identified in the audit

Key audit matter	How our scope addressed the key audit matter
<p>1. Carrying value of Exploration and Evaluation assets (note 13)</p> <p>The Group carries Exploration and Evaluation assets totalling \$7.1m (2022: \$4.2m) in relation to the Balasausqandiq deposit in Kazakhstan. These costs are capitalized in accordance with the requirements of IFRS 6.</p> <p>At each reporting date, the directors are required to assess whether there are any indicators of impairment, that would require an impairment assessment to be carried out. The directors concluded there were no indicators of impairment.</p> <p>The directors' consideration of the impairment indicators requires them to make certain judgements, which makes this a key audit matter.</p>	<p>We obtained and reviewed the directors' assessment of the indicators of impairment, as set out in IFRS 6 "Exploration for and evaluation of mineral resources". The following work was undertaken to corroborate the director's assessment that there were no indications of impairment:</p> <ul style="list-style-type: none"> • We obtained a copy of the Group's subsoil use agreement, and confirmed that it remains valid. • We reviewed correspondence with the government licensing body during the year. • We made specific enquiries of the directors and key staff involved in the exploration work, and challenged management to demonstrate that further exploration work in the area covered by the subsoil use agreement was planned and had been incorporated in budgets and forecasts. • We reviewed the updated Competent Person's report on the exploration asset issued during the year for any indications that the capitalised costs may be impaired. No such indications were identified. • We reviewed the adequacy of disclosures in the financial statements in relation to the impairment consideration. <p>Based on our work performed, we consider the directors' assessment, and the financial statements disclosures to be appropriate.</p>

Independent Auditor's Report continued

Key audit matter	How our scope addressed the key audit matter
<p>2. Carrying value of property, plant and equipment (note 12)</p> <p>The Group holds property plant and equipment, totalling \$5.95m (2022: \$5.4m) principally relating to the processing plant.</p> <p>At each reporting date, the directors are required to assess whether there are any indicators of impairment, that would require an impairment assessment to be carried out. The directors concluded there were indicators of impairment and so an assessment was performed.</p> <p>This assessment required the directors to make estimates in relation to a net present value model for the plant to determine its value in use over its expected lifetime, based on operations using bought-in concentrate.</p> <p>Given the estimates and judgements required, this area was considered to represent a significant audit risk and a key audit matter.</p>	<p>We obtained and reviewed the directors' impairment consideration, including the following:</p> <ul style="list-style-type: none"> • We assessed the Group's budgeting review and approval procedures on which the cash flow forecasts are based. • We obtained an understanding of the Group's processes in preparing the impairment consideration, including how the key assumptions are made. • We compared the Group's assumptions to external data for key inputs such as commodity prices, and comparison of production expectations to currently achieved volumes. • We involved our specialist valuations team to assist us in assessing and challenging the discount rate used by management. • We reviewed the scenario-based sensitivity calculations prepared by management to assess whether these were reasonably likely outcomes, and their impact on the cash flow forecasts. • We assessed whether appropriate disclosure has been made in the financial statements in relation to the impairment consideration performed. <p>Based on our work performed, we consider the directors' assessment of impairment to tangible assets, and the financial statements disclosures to be appropriate.</p>
<p>3. Revenue recognition (note 4)</p> <p>The Group generated revenues of \$5.72m (2022: \$6.27m) for the year.</p> <p>In considering application of IFRS 15 "Revenue from Contracts with Customers", particular attention was required to:</p> <ul style="list-style-type: none"> – The identification of performance obligations in the contract, and the point at which performance obligations are satisfied and when revenue is recorded, which can be specific to each contract. – The accounting for variable consideration associated with estimates of quality and quantity for sales during the year, which are subject to final checks post year end; and – The accounting treatment for provisional pricing estimates that apply under the contracts to consider the fair value of contract assets and liabilities. <p>Given the estimates and judgements required, this area was considered to represent a significant audit risk and a key audit matter.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • We assessed the Group's contracts and revenue recognition policy against the 5-step model of IFRS 15 to consider the appropriateness of the accounting policy. • We obtained and reviewed sales agreements for a sample of customers to assess the appropriateness and application of the accounting policy. Specific consideration was given to the identification of performance obligations and the timing and circumstances at which these are satisfied. • We evaluated the appropriateness of management's accounting treatment for the provisional pricing clauses for open sales, and for the estimation of quality and quantity amounts, comparing these to actual outcomes post year end. • We obtained sales confirmation letters from the Group's key customers, covering 99.7% of revenue. • We agreed a sample of revenue transactions to documentation supporting shipping and delivery of goods, ensuring that revenue had been recognised at the appropriate point. For a sample of sales around the year end, we vouched to documentation supporting their inclusion in the correct accounting period. • We reviewed financial statements disclosures to ensure these were compliant with FRS 15. <p>Based on our work performed, we consider that revenue has been appropriately recognised in line with IFRS 15.</p>

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

Under the Companies (Guernsey) Law 2008, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the procedures in place for ensuring compliance. These included the Companies (Guernsey) Law 2008, and the significant laws and regulations in Kazakhstan including the terms of the subsoil use agreement, tax legislation and environmental legislation.

Independent Auditor's Report continued

- As part of our audit planning process, we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made with management and those charged with governance concerning both whether they had any knowledge of any actual or suspected fraud and their assessment of the susceptibility to fraud. We considered the risk to be greater in areas involving significant management estimation or judgement. Based on this assessment we designed audit procedures to focus on these specific areas.
- We tested the appropriateness of journal entries throughout the year by vouching a risk-based sample of journals to supporting documentation and explanations.
- A detailed review of the Group's year end adjusting entries was performed. Any items that appeared unusual in nature or amount were vouched to supporting documentation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Bullock

For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
Date: 26 April 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Note	2023 \$000	2022 \$000
Revenue from customers (pricing at shipment)	4	6,164	6,773
<i>Other revenue (adjustments to price after delivery and fair value changes)</i>	4	(448)	(502)
Total revenue	4	5,716	6,271
Cost of sales	5	(6,769)	(7,516)
Gross loss		(1,053)	(1,245)
Other income	6	20	77
Administrative expenses	7	(3,371)	(2,545)
Distribution expenses		(193)	(265)
Other expenses	8	(471)	(426)
Loss from operating activities		(5,068)	(4,404)
Net finance (costs) / income	10	(183)	118
Loss before income tax		(5,251)	(4,286)
Income tax	11	-	-
Loss for the period		(5,251)	(4,286)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		39	(541)
Total comprehensive loss for the period		(5,212)	(4,827)
Loss per share (basic and diluted) (US\$)	20	(0.012)	(0.011)

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	31 December 2023 \$000	31 December 2022 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,951	5,434
Exploration and evaluation assets	13	7,145	4,208
Intangible assets	14	20	19
Prepayments	18	888	1,273
Total non-current assets		14,004	10,934
Current assets			
Inventories	16	1,983	1,628
Trade and other receivables	17	1,316	1,151
Prepayments	18	762	911
Cash and cash equivalents	19	1,952	4,331
Total current assets		6,013	8,021
Total assets		20,017	18,955
EQUITY AND LIABILITIES			
Equity			
Share capital	20	55,027	50,827
Convertible loan notes	20	-	4,019
Additional paid-in capital		397	397
Share-based payment reserve	20	20	5
Foreign currency translation reserve		(4,122)	(4,161)
Accumulated losses		(41,106)	(35,674)
Total equity		10,216	15,413
Non-current liabilities			
Loans and borrowings	21	7,393	-
Provisions	22	31	33
Total non-current liabilities		7,424	33
Current liabilities			
Loans and borrowings	21	-	1,108
Trade and other payables	23	2,141	2,383
Deferred income	24	102	-
Interest payable	21	134	18
Total current liabilities		2,377	3,509
Total liabilities		9,801	3,542
Total equity and liabilities		20,017	18,955

These consolidated financial statements were approved by the Board of Directors on 26 April 2024 and were signed on its behalf by:



William Callewaert
Director

The notes on pages 41 to 69 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	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 2022	41,252	4,019	397	-	(3,620)	(31,388)	10,660
Loss for the year	-	-	-	-	-	(4,286)	(4,286)
Other comprehensive expenses							
Exchange differences arising on translation of foreign operations	-	-	-	-	(541)	-	(541)
Total comprehensive loss for the year	-	-	-	-	(541)	(4,286)	(4,827)
Transactions with owners, recorded directly in equity							
Shares issued, net of issue costs	9,575	-	-	-	-	-	9,575
Other transactions recognised directly in equity	-	-	-	5	-	-	5
Balance at 31 December 2022	50,827	4,019	397	5	(4,161)	(35,674)	15,413
Balance at 1 January 2023	50,827	4,019	397	5	(4,161)	(35,674)	15,413
Loss for the year	-	-	-	-	-	(5,251)	(5,251)
Other comprehensive expenses							
Exchange differences arising on translation of foreign operations	-	-	-	-	39	-	39
Total comprehensive loss for the year	-	-	-	-	39	(5,251)	(5,212)
Transactions with owners, recorded directly in equity							
Shares issued, net of issue costs	-	-	-	-	-	-	-
Conversion of loan notes to equity	4,200	(4,019)	-	-	-	(181)	-
Other transactions recognised directly in equity	-	-	-	15	-	-	15
Balance at 31 December 2023	55,027	-	397	20	(4,122)	(41,106)	10,216

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 \$000	2022 \$000
Cash flows from operating activities			
Loss for the year		(5,251)	(4,286)
<i>Adjustments for:</i>			
Depreciation and amortisation	5, 7	476	505
Write-off of property, plant and equipment	8	1	54
Write-down of inventory to net realisable value	8	254	160
Write-off of non-refundable VAT		30	-
Share-based payment expense	20	15	5
Net finance loss/(gain)	10	183	(118)
Cash used in operating activities before changes in working capital		(4,292)	(3,680)
Change in inventories		(609)	312
Change in trade and other receivables		(195)	(1,035)
Change in prepayments		534	(584)
Change in trade and other payables		(622)	1,555
Change in deferred income		102	-
Net cash used in operating activities		(5,082)	(3,432)
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(978)	(1,466)
Acquisition of exploration and evaluation assets	13	(2,931)	(2,871)
Acquisition of intangible assets	14	(1)	(1)
Proceeds on fixed asset disposal	6	-	36
Net cash used in investing activities		(3,910)	(4,302)
Cash flows from financing activities			
Proceeds from issue of share capital	20	-	10,000
Transaction costs on share subscriptions		-	(425)
Proceeds from borrowings		7,784	-
Repayment of borrowings	21	(1,112)	(300)
Interest paid	21	(157)	(82)
Net cash from financing activities		6,515	9,193
Net increase in cash and cash equivalents		(2,477)	1,459
Cash and cash equivalents at the beginning of year	19	4,331	2,810
Effect of movements in exchange rates on cash and cash equivalents		98	62
Cash and cash equivalents at the end of the year		1,952	4,331

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and the following subsidiaries:

Company	Location	Company's share in share capital	Primary activities
Energy Metals Limited	UK	100%	Dormant
Vanadium Products LLC	Kazakhstan	100%	Performs services for the Group
Firma Balausa LLC	Kazakhstan	100%	Production and sale of vanadium and associated by-products
Balausa Processing Company LLC	Kazakhstan	100%	Development of processing facilities

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except as otherwise noted below.

(c) Functional and presentation currency

The national currency of Kazakhstan is the Kazakhstan Tenge ("KZT") which is also the functional currency of the Group's operating subsidiaries. The functional currency of the Company is US Dollars ("US\$"). The presentation currency of the consolidated financial statements is US Dollars.

(d) Going concern

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

The Directors have reviewed the Group's cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements, together with sensitivities and mitigating actions. In addition, the Directors have given specific consideration to the continued risks and uncertainties associated with the geopolitical situation with respect to Russia and Ukraine.

The Directors are confident, having conducted relevant analyses with respect to estimated concentrate availability and production levels, that the Company has sufficient resources, following the issue and sale of two tranches bonds under the Bond Programme during year and a further tranche after the year end, to continue as a going concern for at least the next 12 months.

2 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.

Notes to the Consolidated Financial Statements continued

Carrying value of processing operations

The Directors have tested the processing operations' property, plant and equipment ("PP&E") for impairment (Note 12) at 31 December 2023. 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 48 tonnes per month of vanadium pentoxide and 8.3 tonnes of molybdenum (as ferro-molybdenum).
- Average prices of vanadium pentoxide of US\$7.50/lb, ferro-molybdenum of US\$47.90/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\$19.2m) exceeds its carrying amount (US\$5.95m) by US\$13.25m and therefore PP&E were not impaired.

Sensitivity analysis

Any impairment is dependent on judgement used in determining the most appropriate basis for the assumptions and estimates made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has, therefore, been provided below.

The impact on the impairment calculation of applying different assumptions to product sales prices, production volumes and post-tax discount rates, all other inputs remaining equal, would be as follows:

	Decrease in headroom US\$'000
Impact if product sales prices reduced by 10%:	(6,800)
Impact if production volumes decreased by 10%:	(3,500)
Impact if post-tax discount rate increased by 2 percentage points:	(2,200)

Inventories (Note 16)

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 year end less applicable discounts. The estimates are based on market data and historical trends.

Exploration and evaluation assets (Note 13)

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. Judgement was required in determining that the application for deferral of obligations under the Subsoil Use Agreement (Note 26) will be granted and management anticipate such approvals being provided given their understanding of the Kazakh market and plans for the asset.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, except for the implementation of new standards and interpretations.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

(ii) Presentation currency

The assets and liabilities of foreign operations are translated to US\$ at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to US\$ at the average exchange rate for the period, which approximates the exchange rates at the dates of the transactions. Where specific material transactions occur, such as impairments or reversals of impairments, the daily exchange rate is applied when the impact is material.

Foreign currency differences are recognised in other comprehensive income and are presented within the foreign currency translation reserve in equity.

Foreign currency differences arising on intercompany loans, where the loans are not planned to be repaid within the foreseeable future and form part of a net investment, are recorded within other comprehensive income and are presented within the foreign currency translation reserve in equity.

(c) Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Notes to the Consolidated Financial Statements continued

(i) Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ("FVTOCI") or at FVTPL depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVTPL, at the end of each reporting period. The Group applies a simplified approach to measure the credit loss allowance for trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The Group applies a general approach on all other receivables classified as financial assets. The general approach recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired.

(ii) Customer contracts

Under some of its customer sale arrangements, the Group receives a provisional payment upon satisfaction of its performance obligations based on the spot price at that date, which occurs prior to the final price determination, with the Group then subsequently receiving or paying the difference between the final price and quantity and the provisional payment. As a result of the pricing structure, the instrument is classified at FVTPL and measured at fair value with changes in fair value recorded as other revenue.

(iii) Other receivables

Other receivables are accounted for at amortised cost. Other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate expected credit loss allowances for estimated recoverable amounts as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash balances in banks, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and petty cash.

(v) Financial liabilities

The Group has the following non-derivative financial liabilities: borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(vi) Long-term borrowings

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

(vii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is measured at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset into a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and prior periods are as follows:

- Buildings 10-50 years;
- Plant and equipment 4-20 years;
- Vehicles 4-7 years;
- Computers 3-6 years; and
- Other 3-10 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively if appropriate.

Assets under construction are not depreciated and begin being depreciated once they are ready and available for use in the manner intended by management.

Notes to the Consolidated Financial Statements continued

(e) Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest once the legal right to explore has been acquired, other than that acquired through a purchase transaction, is carried forward as an asset provided that one of the following conditions is met.

- Such costs are expected to be recouped through successful exploration and development of the area of interest or, alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration and evaluation costs are capitalised as incurred. Exploration and evaluation assets are classified as tangible or intangible based on their nature. Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred.

The exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. This includes consideration of a variety of factors such as whether the requisite permits have been awarded, whether funding required for development is sufficiently certain of being secured, whether an appropriate mining method and mine development plan is established and the results of exploration data including internal and external assessments.

Exploration and evaluation assets will be reclassified either as tangible or intangible development assets and amortised on a unit-of-production method based on proved reserves.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed their recoverable amount, which is the case when: the period of exploration license has expired and it is not expected to be renewed; substantial expenditure on further exploration is not planned; exploration has not led to the discovery of commercially viable reserves; or indications exist that exploration and evaluation assets will not be recovered in full from successful development or by sale.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(f) Intangible assets

(i) Intangible assets with finite useful lives

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Patents 10-20 years; and
- Mineral rights 20 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on first-in first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell (otherwise referred to as fair value less cost to develop in the industry). Fair value less costs to sell is determined by discounting the post-tax cash flows expected to be generated by the cash-generating unit, net of associated selling costs, and takes into account assumptions market participants would use in estimating fair value. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the asset/cash-generating unit and are discounted to their present value that reflects the current market indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash generating unit to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution plans

The Group does not incur any expenses in relation to the provision of pensions or other post-employment benefits to its employees. In accordance with Kazakhstan state pension social insurance regulations, the Group withholds pension contributions from Kazakhstan based employee salaries and transfers them into State operated pension funds. Once the contributions have been paid, the Group has no further pension obligations. Upon retirement of employees, all pension payments are administered by the pension funds directly.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Notes to the Consolidated Financial Statements continued

(j) Provisions

(i) Recognition and measurement

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(ii) Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration is recognised when the land is disturbed as a result of pit development and plant decommissioning with a corresponding increase in exploration and evaluation costs or property, plant and equipment. Subsequent changes in the provision due to estimates are recorded as a change in the relevant asset. The provision is discounted at a risk-free rate with the costs incorporating risks relevant to the site restoration and an unwinding charge is recognised within finance costs for the unwinding of the discount.

(k) Revenue

(i) Goods sold

Revenue from customers comprises the sale of vanadium and molybdenum products with other revenues from gravel and waste rock being non-significant. Revenue from vanadium products is recognised at a point in time when the customer has a legally binding obligation to settle under the terms of the contract and when the performance obligations have been satisfied, which is once control of the goods has transferred to the buyer at a designated delivery point at which point possession, title and risk transfers.

The Group commonly receives a provisional payment at the date control passes with reference to spot prices at that date. The final consideration is subject to quantity / quality adjustments and final pricing based on market prices determined after the product reaches its port of destination. The quantity / quality adjustments represent a form of variable consideration and revenue is constrained to record amounts for which it is highly probable no reversal will be required. However, given the short period to delivery post year end the final quantity / quality adjustments are known and revenue for the period is adjusted to reflect the final quantity / quality occurring subsequent to year end if material.

Changes in final consideration due to market prices is not determined to qualify as variable consideration within the scope of the IFRS 15 "Revenue from Customers". Changes in fair value as a result of market prices are recorded within revenue as other revenue.

(l) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions for historical costs and site restoration and foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements result in a net gain or loss, this includes exchange gains and losses that arise on trade and other receivables and trade and other payables in foreign currency.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(o) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(p) Share-based payments

(i) Share-based payment transactions

The Company grants share options to certain Directors and Group employees ("Equity-Settled Transactions") under the Company's share option plan. The Directors determine the specific grant terms within the limits set by the Company's share option plan.

(ii) Equity-settled transactions

The costs of Equity-Settled Transactions are measured by reference to the fair value at the grant date and are recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the "Vesting Date"). The cumulative expense recognised for Equity-Settled Transactions at each reporting date until the Vesting Date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and the corresponding amount is represented in share-based payments reserve. No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the Director or Group employee as measured at the date of modification.

Where Equity-Settled Transactions are awarded to Directors or Group employees, the fair value of the share options at the date of grant is charged to the profit and loss statement over the vesting period. Non-market performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of the options that will eventually vest. Market performance vesting conditions are incorporated into the fair value of the equity instrument at the grant date.

Upon exercise of share options, the proceeds received are allocated to share capital together with any associated balance in the share-based payments reserve are transferred to retained earnings. The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

Notes to the Consolidated Financial Statements continued

The Company utilises the Black-Scholes option pricing model to estimate the fair value of share options granted to Directors and Group employees. The use of this model requires management to make various estimates and assumptions that impact the value assigned to the share options including the forecast future volatility of the share price, the risk-free interest rate, dividend yield, the expected life of the share options and the expected number of shares which will vest. See Note 20 for further details.

(q) Government grants

Government grants are initially recognised as deferred income once the Group has reasonable assurance that the grant will be received and that the Group will be in a position to comply with any terms or conditions associated with the grant.

Grants relating to the purchase of plant and equipment are recognised as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

(r) New and amended standards adopted

No new standards and interpretations issued by the IASB have had a significant impact on the consolidated financial statements.

4 Revenue

	2023 \$000	2022 \$000
Sales of vanadium products	3,308	5,163
Sales of ferro-molybdenum	2,698	1,509
Sales of gravel and waste rock	143	86
Service revenue	15	15
Total revenue from customers under IFRS 15	6,164	6,773
Other revenue – change in fair value of customer contracts	(448)	(502)
Total revenue	5,716	6,271

Vanadium and molybdenum 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.

5 Cost of sales

	2023	2022
	\$000	\$000
Materials	4,832	5,863
Wages, salaries and related taxes	1,128	937
Depreciation	425	406
Electricity	94	111
Other	290	199
	6,769	7,516

6 Other income

	2023	2022
	\$000	\$000
Currency conversion gain	8	41
Other (sales of equipment)	12	36
	20	77

7 Administrative expenses

	2023	2022
	\$000	\$000
Wages, salaries and related taxes	2,023	1,619
Professional services	315	263
Taxes other than income tax	18	15
Listing and reorganisation expenses	155	162
Audit	125	111
Materials	48	37
Rent	40	53
Irrecoverable debts	52	-
Repairs and maintenance	58	-
Depreciation and amortisation	51	99
Insurance	44	44
Staff training	15	-
Research and development costs	10	-
Bank fees	23	23
Travel expenses	89	16
Utilities	5	-
Communication and information services	30	12
Other	270	91
	3,371	2,545

Notes to the Consolidated Financial Statements continued

8 Other expenses

	2023 \$000	2022 \$000
Currency conversion loss	59	204
Write-down of inventory to net realisable value	254	160
Write-down of obsolete assets	1	54
Share-based payment expense	15	5
Other	142	3
	471	426

9 Personnel costs

	2023 \$000	2022 \$000
Wages, salaries and related taxes	3,232	2,569
	3,232	2,569

During 2023 personnel costs of US \$1,128,000 (2022: US\$937,000) have been charged to cost of sales, US\$2,023,000 (2022: US\$1,619,000) to administrative expenses and US\$81,000 (2022: US\$43,000) were charged to cost of inventories which were not yet sold as at the year end.

10 Finance costs

	2023 \$000	2022 \$000
Net foreign exchange costs / (gain)	(83)	(195)
Interest expense on financial liabilities (bonds)	266	77
Net finance costs / (income)	183	(118)

11 Income tax

The Group's applicable tax rates in 2023 are an income tax rate of 20% for Kazakhstan registered subsidiaries (2022: 20%) and 0% (2022: 0%) for Guernsey registered companies. The Kazakh tax rate has been applied below as this is most reflective of the Group's trading operations and tax profile.

During the years ended 31 December 2023 and 2022 the Group incurred tax losses and, therefore, did not recognise any current income tax expense.

Unrecognised deferred tax assets are described in Note 15.

Reconciliation of effective tax rate:

	2023		2022	
	\$000	%	\$000	%
Loss before tax (Group)	(5,251)	100	(4,286)	100
Income tax at the applicable tax rate	(1,050)	20	(857)	20
Effect of unrecognised deferred tax assets / (utilisation of previously unrecognised losses)	1,417	(27)	923	(22)
Net non-deductible expenses/non-taxable income or loss	(367)	7	(66)	2
	-	-	-	-

12 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 2022	2,060	2,639	509	39	102	2,632	7,981
Additions	37	188	-	10	89	1,142	1,466
Transfers	23	83	-	-	-	(106)	-
Disposals	(23)	(9)	(17)	(4)	(10)	(41)	(104)
Foreign currency translation difference	(138)	(178)	(34)	(2)	(7)	(179)	(538)
Balance at 31 December 2022	1,959	2,723	458	43	174	3,448	8,805
Balance at 1 January 2023	1,959	2,723	458	43	174	3,448	8,805
Additions	-	104	56	6	96	716	978
Transfers	3,010	962	-	-	-	(3,972)	-
Disposals	-	(19)	-	-	(17)	-	(36)
Foreign currency translation difference	46	52	8	-	3	50	159
Balance at 31 December 2023	5,015	3,822	522	49	256	242	9,906
Depreciation							
Balance at 1 January 2022	688	2,028	327	28	47	-	3,118
Depreciation for the period	66	374	34	5	25	-	504
Disposals	-	(9)	(17)	(3)	(11)	-	(40)
Foreign currency translation difference	(46)	(137)	(22)	(2)	(4)	-	(211)
Balance at 31 December 2022	708	2,256	322	28	57	-	3,371
Balance at 1 January 2023	708	2,256	322	28	57	-	3,371
Depreciation for the period	130	341	33	5	47	-	556
Disposals	-	(18)	-	-	(17)	-	(35)
Foreign currency translation difference	13	42	6	-	2	-	63
Balance at 31 December 2023	851	2,621	361	33	89	-	3,955
Carrying amounts							
At 1 January 2022	1,372	611	182	11	55	2,632	4,863
At 31 December 2022	1,251	467	136	15	117	3,448	5,434
At 31 December 2023	4,164	1,201	161	16	167	242	5,951

During 2023 a depreciation expense of US\$425,000 (2022: US\$406,000) has been charged to cost of sales, excluding cost of finished goods that were not sold at year end, US\$51,000 (2022: US\$98,000) to administrative expenses, and US\$80,000 has been charged to cost of finished goods that were not sold at the year end (2022: US\$4,000). Construction in progress relates to upgrades to the processing plant associated with the expansion of the facility.

Notes to the Consolidated Financial Statements continued

13 Exploration and evaluation assets

The Group's exploration and evaluation assets ("E&EA") relate to the Balasausqandiq deposit. During the year, the Group capitalised the cost of geological and geotechnical drilling work, technical design, sample assaying and project management costs, all relating to the Company's Stage 1 feasibility study. As at 31 December 2023 the carrying value of exploration and evaluation assets was US\$7.1m (2022: US\$4.2m).

	2023 \$000	2022 \$000
Balance at 1 January	4,208	1,434
Additions (Stage 1 feasibility study)	2,931	2,871
Foreign currency translation difference	6	(97)
Balance at 31 December	7,145	4,208

14 Intangible assets

	Mineral rights \$000	Patents \$000	Computer software \$000	Total \$000
Cost				
Balance at 1 January 2022	88	33	3	124
Additions	-	1	-	1
Foreign currency translation difference	(5)	(2)	-	(7)
Balance at 31 December 2022	83	32	3	118
Balance at 1 January 2023	83	32	3	118
Additions	-	1	-	1
Foreign currency translation difference	1	1	-	2
Balance at 31 December 2023	84	34	3	121
Amortisation				
Balance at 1 January 2022	88	12	3	103
Amortisation for the year	-	1	-	1
Foreign currency translation difference	(5)	-	-	(5)
Balance at 31 December 2022	83	13	3	99
Balance at 1 January 2023	83	13	3	99
Amortisation for the year	-	1	-	1
Foreign currency translation difference	1	-	-	1
Balance at 31 December 2023	84	14	3	101
Carrying amounts				
At 1 January 2022	-	21	-	21
At 31 December 2022	-	19	-	19
At 31 December 2023	-	20	-	20

During 2023 and 2023 the amortisation of intangible assets was charged to administrative expenses.

15 Deferred tax assets and liabilities

Unrecognised deferred tax assets

	2023 \$000	2022 \$000
Temporary deductible differences	912	292
Tax losses carried forward	16,887	14,470
Unrecognised tax deferred tax assets	(17,799)	(14,762)
	-	-

Deferred tax assets have not been recognised in respect of these items given the taxable loss in the year and because the Kazakhstan processing operations benefit from a tax incentive agreement which reduces the tax payable to nil and it is, therefore, uncertain that future taxable profit will be available against which the Group can utilise the benefits therefrom. The tax incentive agreement is effective for ten years starting from 2018.

The increase in carried forward tax losses comprises the tax loss for the period and the effect of resubmissions of previous tax filings which contributed to an increase in tax losses.

Temporary deductible differences mostly relate to property, plant and equipment. Unutilised tax losses expire after 10 years from the year of origination.

Expiry dates of unrecognised deferred tax assets in respect of tax losses carried forward at 31 December 2023 are presented below:

Expiry year	\$000
2024	474
2025	228
2026	801
2027	480
2028	514
2029	2,148
2030	3,385
2031	1,564
2032	3,948
2033	3,104
	16,646

Unrecognised deferred tax assets above are calculated based on the Kazakh tax rate of 20%.

Notes to the Consolidated Financial Statements continued

16 Inventories

	2023 \$000	2022 \$000
Raw materials and consumables	1,456	1,379
Finished goods	517	216
Work in progress	10	33
	1,983	1,628

During 2023 inventories expensed to profit and loss amounted to US\$4.9m (2022: US\$5.9m).

17 Trade and other receivables

	2023 \$000	2022 \$000
Current		
Trade receivables from third parties	264	65
Due from employees	66	50
VAT receivable	1,049	1,062
Other receivables	4	10
	1,383	1,187
Expected credit loss provision for receivables	(67)	(36)
	1,316	1,151

The expected credit loss provision for receivables 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.

18 Prepayments

	2023 \$000	2022 \$000
Non-current		
Prepayment for E&EA	470	697
Other prepayments	418	576
	888	1,273
Current		
Prepayments for goods and services	762	911
	762	911

The prepayments for E&EA are related mainly to the Stage 1 feasibility study.

19 Cash and cash equivalents

	2023 \$000	2022 \$000
Cash at current bank accounts	1,488	1,010
Cash at bank deposits	417	3,321
Petty cash	47	-
Cash and cash equivalents	1,952	4,331

20 Equity

(a) Share capital

Number of shares unless otherwise stated

	Ordinary shares	
	31 December 2023	31 December 2022
Par value	-	-
Outstanding at beginning of year	449,702,150	377,676,799
Shares issued	33,520,088	72,025,351
Outstanding at end of year	483,222,238	449,702,150

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.

Convertible loan notes

During the year, 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. The conversion resulted in 33,520,088 ordinary shares being issued to Vision Blue taking their total shareholding in the Company to 111,071,783 ordinary shares representing 22.99% of the Company's issued share capital (2022: 77,551,695 ordinary shares/17.3%).

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 year.

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.

Notes to the Consolidated Financial Statements continued

(b) Share options**Summary**

All share options are issued under the Company's share option plan. The share option plan is a scheme that entitles key management personnel to purchase shares in the Company at the market price of the shares at the date of grant.

The following table summarise the activities and status of the Company's share option plan during the year and at the year end.

	2023 share options	2023 Weighted average exercise price (US\$)
Outstanding at the beginning of the year	500,000	-
Granted during the year	500,000	0.091
Exercised during the year	-	-
Expired/cancelled during the year	-	-
Outstanding at the year end	1,000,000	0.091

Share options granted during the year and in force at the year end were as follows:

Grant date	Number of options	Exercise date	Exercise price per share (US\$)	Expiry date	Remaining contractual life (years)
29 June 2022	250,000	29 June 2025	0.162	29 June 2027	3.5
22 September 2022	250,000	22 September 2025	0.151	22 September 2027	3.8
12 September 2023	500,000	12 September 2026	0.116	12 September 2028	4.8
	1,000,000				

Share-based payment reserve

The following table summarises the changes in the Company's share-based payment reserve during the year:

	Share-based payment reserve (US\$)
At 1 January 2023	5,000
Exercise of share options	-
Issue of options	14,863
At 31 December 2023	19,863

Share-based payment expense

During the year, the Company recognised US\$14,863 (2022: US\$5,000) of share-based payment expense. The fair value of the share-based compensation was estimated on the dates of grant using the Black-Scholes option pricing model with the following assumptions:

Grant date	12 September 2023
Share price at grant date (US\$)	0.116
Exercise price (US\$)	0.116
Expected volatility*	59.21%
Expected life (years)	4
Expected dividend yield (US\$)	-
Risk-free interest rate**	4.64%
Fair value per option (US\$)	0.057

* expected volatility is derived from the Company's historical share price volatility

** the risk-free rate of return is based on UK government gilts for a term consistent with the option life

All share options granted during the year have non-market vesting conditions that were not considered in measuring fair value.

(c) Dividends

No dividends were declared for the year ended 31 December 2023 (2022: US\$ nil).

(d) Loss per share (basic and diluted)

The calculation of the basic and diluted loss per share has been based on the 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)

	2023 \$000	2022 \$000
Loss for the year, attributable to owners of the Company	(5,251)	(4,286)
Loss attributable to ordinary shareholders	(5,251)	(4,286)

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

Shares	2023	2022
Issued ordinary shares at 1 January (after subdivision)	449,702,150	377,676,799
Effect of shares issued (weighted)	3,857,106	21,410,276
Weighted-average number of ordinary shares at 31 December	453,559,256	399,087,075
Loss per share of common stock attributable to the Company (basic and diluted) (US\$)	(0.012)	(0.011)

Notes to the Consolidated Financial Statements continued

21 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.

With respect to the first tranche of bonds, 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, 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.

	2023 \$000	2022 \$000
Non-current liabilities		
Bonds payable	7,393	-
	7,393	-
Current liabilities		
Bonds payable	-	1,108
Interest payable	134	18
	134	1,126

Refer to Note 30 with respect to the issue of the third tranche of bonds by the Company after the year end.

During the year, outstanding bonds of US\$1.12m were repaid to bondholders (2022: US\$0.3m).

Terms and conditions of outstanding bonds at 31 December 2023 were as follows:

USD	Currency	Effective interest rate	Nominal amount \$000	Actual amount \$000	Coupon rate	Coupon paid	Interest
Bonds payable	USD	9.2%	3,000	2,898	9%	-	96
Bonds payable	USD	10.4%	5,000	4,874	10%	125	142
			8,000	7,772		125	238

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

	2023 \$000	2022 \$000
Loans and borrowings		
At 1 January	1,127	1,427
Cash flows:		
- Interest paid	(157)	(82)
- Repayment of loans and borrowings	(1,112)	(300)
- Proceeds from loans and borrowings	7,784	-
Total	7,642	1,045
Non-cash flows		
- Interest accruing in period	273	82
- Bond discount / premium	(388)	-
At 31 December	7,527	1,127

22 Provisions

	2023 \$000	2022 \$000
Balance at 1 January	33	42
Change in estimate	(2)	(7)
Foreign currency translation difference	-	(2)
Balance at 31 December	31	33
Non-current	31	33
	31	33

Site restoration

A provision has been recognised in respect of the Group's obligation to rectify environmental issues at the Balasausqandiq deposit in the Kyzylorda region.

In accordance with Kazakhstan environmental legislation, any land contaminated by the Group in the Kyzylorda region must be restored before the end of 2043. The provision was estimated by considering the risks related to the amount and timing of restoration costs based on the known level of damage. Because of the long-term nature of the liability, the main uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are available currently. A fund to cover this liability will be collected via annual statutory contributions to the special liquidation fund at the rate of 1% of mining expenses as stipulated in the Subsoil Use Agreement. Based on the working program which forms part of the Subsoil Use Agreement the total amount is expected to reach KZT 675m or c. US\$1,838,000. The present value of restoration costs was determined by discounting the estimated restoration cost using a Kazakh risk-free rate for the respective period, and average inflation for the last 10 years of 8.8%. The estimated period for discounting was 21 years (2022: 22 years). Environmental legislation in Kazakhstan continues to evolve and it is difficult to determine the exact standards required by the current legislation in restoring sites such as this. Generally, the standard of restoration is determined based on discussions with the Kazakh government at the time that restoration commences.

23 Trade and other payables

	2023 \$000	2022 \$000
Trade payables	1,781	1,889
Debt to directors/key management (Note 29)	79	214
Debt to employees	192	99
Other taxes	72	171
Advances received	17	10
	2,141	2,383

Notes to the Consolidated Financial Statements continued

24 Deferred income

	2023 \$000	2022 \$000
Government grants	102	-
	102	-

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

25 Financial instruments and risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Chief Executive has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2023 \$000	2022 \$000
Trade and other receivables, excluding amounts due from employees and VAT receivable	268	75
Cash and cash equivalents	1,905	4,331
	2,173	4,406

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	Carrying amount	
	2023 \$000	2022 \$000
Kazakhstan	268	75
	268	75

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	Carrying amount	
	2023 \$000	2022 \$000
<i>Trade receivables:</i>		
Wholesale customers	264	65
<i>Other receivables</i>		
Other	4	10
	268	75

The ageing of trade and other receivables at the reporting date was:

	Gross 2023 \$000	Impairment 2023 \$000	Net 2023 \$000	Gross 2022 \$000	Impairment 2022 \$000	Net 2022 \$000
Not past due	268	-	268	75	-	75
Past due more than 180 days	67	(67)	-	36	(36)	-
	335	(67)	268	111	(36)	75

The movement in the allowance for expected credit losses in respect of other receivables during the year was as follows:

	2023 \$000	2022 \$000
Balance at beginning of the year	36	35
Expected gain change	31	1
Balance at end of the year	67	36

Amounts due from customers at the year end have been subsequently collected in 2024, except for credit impaired amounts. No additional expected credit loss provision has been applied.

(ii) Cash and cash equivalents

As at 31 December 2023 the Group held cash of US\$1.95m (2022: US\$4.33m), of which bank balances of US\$1.90m (2022: US\$4.31m) represent its maximum credit exposure on these assets, which excludes petty cash. 72% (2022: 92%) is held in banks with credit ratings of A+ to AA and 28% in banks with credit ratings of B to BB (2022: 8%). Credit ratings are provided by the rating agency FitchRatings.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the Consolidated Financial Statements continued

The following are the contractual maturities of financial liabilities. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts:

	Carrying amount \$000	Contractual cash flows \$000	On demand \$000	0-6 mths \$000	6 months - 1 year \$000	1-3 years \$000
2023						
Financial liabilities						
Trade and other payables	1,781	1,781	-	1,781	-	-
Loans and borrowings	7,527	7,527	-	134	-	7,393
	9,308	9,308	-	1,915	-	7,393
	Carrying amount \$000	Contractual cash flows \$000	On demand \$000	0-6 mths \$000	6 months - 1 year \$000	1-3 years \$000
2022						
Financial liabilities						
Trade and other payables	1,889	1,889	-	1,889	-	-
Loans and borrowings	1,126	1,126	-	1,126	-	-
	3,015	3,015	-	3,015	-	-

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

In order to ascertain market risk the Group analyses the impact of different levels of vanadium pentoxide and molybdenum prices on profitability as well as closely monitoring the market conditions for other leading international organisations operating in the vanadium industry.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of Group entities.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	US\$- denominated 2023 \$000	GBP- denominated 2023 \$000	EUR- denominated 2023 \$000	RUB- denominated 2023 \$000	KZT- denominated 2023 \$000
2023					
Cash and cash equivalents	1,257	115	-	-	580
Trade and other payables	(1,104)	-	(113)	(50)	(875)
Loans and borrowings	(7,527)	-	-	-	-
Net exposure	(7,374)	115	(113)	(50)	(295)
	US\$- denominated 2022 \$000	GBP- denominated 2022 \$000	EUR- denominated 2022 \$000	RUB- denominated 2022 \$000	KZT- denominated 2022 \$000
2022					
Cash and cash equivalents	22	3,940	-	5	3,672
Trade and other payables	(654)	(111)	(108)	(55)	(1,455)
Loans and borrowings	(1,126)	-	-	-	-
Net exposure	(1,758)	3,829	(108)	(50)	2,217

The following significant exchange rates applied during the year:

in US\$	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
KZT 1	0.0022	0.0022	0.0022	0.0022
GBP 1	1.2429	1.2363	1.2704	1.2030
RUB 1	0.0119	0.0150	0.0111	0.0139
EUR 1	1.0810	1.0530	1.1049	1.0653

(ii) Interest rate risk

Changes in interest rates do not significantly impact the Group's position as at 31 December 2023. Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The bonds interest rates are fixed by agreement.

Changes in interest rates at the reporting date would not significantly affect profit or loss.

(iii) Other risks

IAS 1 requires the disclosure of the risks and measures to meet the risks related to external capital requirements.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising returns to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2022.

The capital structure of the Group consists of net debt (see Note 21) and the equity of the Group (see Note 20).

The Group is not subject to any externally imposed capital requirements.

The Group reviews the capital structure on a regular basis giving consideration to the cost of capital and the risks associated with each class of capital.

Notes to the Consolidated Financial Statements continued

Debt is defined as long- and short-term borrowings as detailed in Note 21.

Equity includes all capital and reserves of the Group that are managed as capital.

(e) Fair values versus carrying amounts

Management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

Categories of financial instruments

	2023 \$000	2022 \$000
Financial assets (includes cash)		
Trade and other receivables	268	75
Cash at amortised cost	1,905	4,331
	2,173	4,406
Financial liabilities – measured at amortised cost		
Trade and other payables at amortised cost	1,781	1,889
Loans and borrowings at amortised cost	7,527	1,126
	9,308	3,015

The basis for determining fair values is disclosed below.

Financial instruments measured at fair value are presented by level within which the fair value measurement is categorised. The levels of fair value measurement are determined as following:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's contract receivables and liabilities at the year end are recorded at fair value through profit and loss and fair valued based on the estimated forward prices that will apply under the terms of the sales contracts upon the product reaching the port of destination. The trade receivable fair value reflects amounts receivable from the customer adjusted for forward prices expected to be realised.

In the absence of observable forward prices the forward price is estimated using a valuation methodology which is based on vanadium spot prices at 31 December 2023 adjusted for the discount for AMV, time value of money and carry costs. Given the short period to final pricing the time value of money and carry costs are not significant and the forward price materially approximates the spot price at year end with the adjustment to reflect the difference between vanadium pentoxide prices and AMV. Any fair value of trade receivables and payables at FVTPL are categorised at Level 3. During the year there were no transfers between levels of fair value hierarchy.

26 Commitments

Under the conditions of the Subsoil Use Agreement under which the Group has the right to develop and exploit the Balasausqandiq deposit, the Group is obliged to undertake a minimum level of mining and to make certain levels of expenditure on the training of Kazakh employees, research and development and the development of the Shieli region. There is also an obligation to set aside funds to provide for the eventual costs of mine closure and or site reclamation.

The current obligations of the Group under the Subsoil Use Agreement, as modified by Addendum 4, are as follows:

- Minimum quantity of ore to be mined:

Year	Tonnes
2023	567,700
2024	788,100
2025	1,102,300
2026	1,102,300
2027	1,102,300
2028	1,102,300
2029 onwards	1,102,300

- Training costs should be equal to 1% of the Group's capital expenditures on subsoil activities. Costs in 2023: US\$6,000 (2022: US\$7,000)
- Research and development should be equal to 1% of the Group's income from subsoil activities. Costs in 2023: US\$10,000 (2022: US\$46,272)
- The addition to the liquidation fund should be equal to 1% of the Group's costs of mining ore. Costs in 2023: US\$12,000 (2022: US\$12,000)
- Expenditure on social development of the Shieli region should be equal to 1.5% of the Group's costs of mining ore. Costs in 2023: US\$1,450 (2022: US\$330).

All obligations of the Subsoil Use Agreement have been complied with except for certain exploration work programme requirements, specifically the volume of ore to be mined.

The Group has requested formal amendments to the Subsoil Use Agreement that relate to the transfer of the mining of certain levels of ore to future years. As a result, and if the amendments are granted, the obligation for mining in 2023 and 2024 will be equal to 16,500 tonnes of ore, 2025 to 2026 will be equal to 33,100 tonnes of ore, 2027 will be equal to 555,100 tonnes, 2028 will be equal to 1,102,300 tonnes and starting from 2029 1,653,400 tonnes of ore, per year. The request is in the process of review with the relevant authorities of the Kazakh government. Addendum 4 to the Subsoil Use Agreement was successfully negotiated by the Group during 2023.

27 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.

Notes to the Consolidated Financial Statements continued

(b) Taxation

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

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

There are no tax claims or disputes at present.

28 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.

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)
Other expenses	(456)	-	(15)	(471)
Distribution expenses	(193)	-	-	(193)
Finance costs	(139)	-	(44)	(183)
Loss before tax	(2,956)	(41)	(2,254)	(5,251)
	Processing \$000	Subsoil \$000	Corporate \$000	Total \$000
2022				
Revenue	6,271	-	-	6,271
Cost of sales	(7,516)	-	-	(7,516)
Other income	73	-	4	77
Administrative expenses	(763)	(24)	(1,758)	(2,545)
Other expenses	(426)	-	-	(426)
Distribution expenses	(265)	-	-	(265)
Finance costs	531	-	(413)	118
Loss before tax	(2,095)	(24)	(2,167)	(4,286)

Included in revenue arising from processing are revenues of US\$5,200,000 (2022: US\$6,100,000) which arose from sales to three of the Group's 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 in 2023 were as follows:

Customer A	US\$3.3m (57%) (2022: US\$3.2m (50%))
Customer B	US\$1.6m (28%) (2022: US\$1.6m (25%))
Customer C	US\$0.3m (5%) (2022: US\$1.3m (20%))

29 Related party transactions

Transactions with management and close family members

Management remuneration

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

	2023 \$000	2022 \$000
Wages, salaries and related taxes	1,114	986

Refer to Note 23 for details of payables to key management and the Directors' Report for shares issued to key management. The amount of wages and salaries outstanding at 31 December 2023 is equal to US\$79,000 (2022: US\$214,000).

Other

On 1 February 2022, the Company entered into 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 year under the terms of the sub-let agreement were US\$21,640 (2022: US\$17,339).

30 Subsequent events

On 30 January 2024, 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.

Company Information

Ferro-Alloy Resources Limited

Company Registration Number	63449
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