



## QUARTERLY ACTIVITIES REPORT – PERIOD ENDED 31 DECEMBER 2019

### Key Points

- Total Recordable Injury Frequency Rate (TRIFR) of 0.6 as at the end of the quarter.
- Production of 15kt flake graphite during the quarter (September quarter: 45kt). Production was moderated for Q4 2019 in response to sudden and material reduction in prices observed in Q3 2019<sup>1</sup>.
- A companywide restructure was initiated during the quarter in conjunction with moderation of production. Restructure on track to achieve target of 20% to 25% cost reduction (at 15kt per month production rate), cost reductions of approximately 15% implemented and realised from 1 January 2020.
- The cost restructure and production moderation to date has been executed with optionality retained to react promptly to improved market demand. Further cash preservation strategies available if the market imbalance observed in H2 2019 is prolonged.
- Graphite sold and shipped of 17kt (September quarter: 45kt). Finished product inventory reduced to 14kt, a significant reduction compared to 31kt a year prior, positioning Balama for prevailing demand to drive production volume.
- Weighted average selling price (CIF) of US\$458/t (September quarter: US\$391/t), increase versus prior quarter predominately due to product mix and geographic mix.
- Signs of inventory drawdown and price stabilisation evident from late in Q4 2019 due to reduced Balama production and seasonal Chinese production closures.
- Underlying thematic of decarbonisation of the transport sector via lithium ion battery powered EVs continues to gain momentum, with significant ongoing commitments by EV supply chain participants during the quarter.
- First purified spherical graphite produced from Vidalia, with purity greater than 99.95% achieved.
- Proceeds of A\$55.8m million from Convertible Note received<sup>2</sup>. Cash balance at 31 December 2019 US\$80.6m versus forecast of US\$78.0m<sup>3</sup>, positive variance primarily due to higher than forecast VAT recoveries.

| Balama Production and Sales  |               | FY 2019 | 31 Dec 2019 | 30 Sep 2019 | 30 Jun 2019 | 31 Mar 2019 |
|------------------------------|---------------|---------|-------------|-------------|-------------|-------------|
| Graphite Produced            | Tonnes ('000) | 153     | 15          | 45          | 44          | 48          |
| Graphite Sold and Shipped    | Tonnes ('000) | 163     | 17          | 45          | 53          | 48          |
| Weighted Average Price (CIF) | US\$/tonne    | 443     | 458         | 391         | 457         | 469         |

<sup>1</sup> See ASX announcement 10 September 2019

<sup>2</sup> See ASX announcement 14 October 2019

<sup>3</sup> See ASX announcement 18 October 2019

## Balama Graphite Operation (Balama) - Mozambique

| Balama Production Summary |                      | FY 2019    | 31 Dec 2019 | 30 Sep 2019 | 30 Jun 2019 | 31 Mar 2019 |
|---------------------------|----------------------|------------|-------------|-------------|-------------|-------------|
| Total Material Moved      | Tonnes ('000)        | 2,351      | 65          | 937         | 891         | 457         |
| Plant Feed                | Tonnes ('000)        | 1,154      | 115         | 326         | 335         | 378         |
| Plant Feed Grade          | TGC*                 | 19%        | 19%         | 19%         | 19%         | 18%         |
| Recovery                  | %                    | 68%        | 68%         | 69%         | 66%         | 69%         |
| <b>Graphite Produced</b>  | <b>Tonnes ('000)</b> | <b>153</b> | <b>15</b>   | <b>45</b>   | <b>44</b>   | <b>48</b>   |
| Fine/Coarse Mix           | -                    | 87/13      | 91/9        | 84/16       | 88/12       | 86/14       |
| Average Fixed Carbon      | %                    | 95%        | 96%         | 96%         | 95%         | 95%         |

\*: TGC = Total Graphitic Carbon

Strong safety performance at Balama maintained through a quarter of significant operational change, Total Recordable Injury Frequency Rate (TRIFR) of 0.6 as at the end of the quarter.

Production was 15kt of flake graphite during the quarter (September quarter: 45kt). Production was moderated during Q4 2019 in response to sudden and material reduction in prices observed in Q3 2019.

The companywide restructure announced 18 October 2019 was initiated during the quarter in conjunction with moderation of production. On track to achieve target of 20% to 25% cost reduction target (at 15kt per month production rate), approximately 15% cost reduction is implemented and realised from 1 January 2020. The cost restructure is being executed with preservation of existing Environmental, Social and Governance (ESG) best practices/capability and optionality to react promptly to improved market demand. Review of cost base remains ongoing as the operation stabilises at lower volumes and market balance is assessed into 2020. Further cash preservation strategies available if the market imbalance observed in H2 2019 is prolonged.

Cost reductions at Balama have been primarily achieved through:

- Headcount reduction
- Contractor renegotiations
- Procurement
- Mining and processing reconfigurations

Plant reconfigurations were undertaken during the quarter to minimise variable operating costs during the period of lower production volumes, primarily power cost reductions associated with bypass of process units whilst operating at low production volumes. Average fixed carbon grade of 96% was maintained during the quarter in conjunction with implementing plant reconfigurations. A foreseen outcome of these plant reconfigurations was higher fines versus flake graphite as a proportion of production.

Cost reduction activities (including plant reconfigurations) and moderation to lower production output, requiring increased number of planned shutdowns, were prioritised over recovery optimisation during the quarter. Recovery performance for the quarter was 68% (September quarter: 69%). Greater than 80% recoveries were achieved during steady state operations and average recovery 76% achieved in December.

## Sales and Marketing

| Sales and Marketing Summary                         |              | FY 2019 | 31 Dec 2019 | 30 Sep 2019 | 30 Jun 2019 | 31 Mar 2019 |
|---|--------------|---------|-------------|-------------|-------------|-------------|
| Graphite Sold and Shipped                           | kt           | 163     | 17          | 45          | 53          | 48          |
| Sales Revenue                                       | US\$ million | 72      | 8           | 18          | 24          | 23          |
| Weighted Average Price (CIF)                        | US\$/tonne   | 443     | 458         | 391         | 457         | 469         |
| Inventory at Nacala                                 | kt           | 7       | 7           | 8           | 7           | 18          |
| Off Specification Flake Graphite                    |              |         |             |             |             |             |
| Inventory at Balama for Reprocessing <sup>^</sup>   | kt           | 1       | 1           | -           | 6           | -           |
| Saleable Flake Graphite Inventory at Balama and USA | kt           | 7       | 7           | 7           | 8           | 12          |

<sup>^</sup>: Product inventories at Balama are valued at the lower of weighted average cost and estimated net realisable value. The unit cost of production was greater than the estimated selling price and result in a write-down of inventories on hand as at 30 June 2019 to net realisable value.

Flake graphite sales volume was 17kt in the quarter, slightly higher than production due to draw down of inventory. Finished product inventory at quarter end of 14kt, a significant reduction compared to 31kt a year prior, which positions Balama for prevailing demand to drive production volume through 2020.

Q4 2019 weighted average price was US\$458 per tonne versus Q3 2019 US\$391 per tonne. Higher quarter on quarter price achieved was primarily due to product mix and geographic mix.

Global inventory availability and weaker year-on-year electric vehicle (EV) production growth suppressed natural graphite prices during the quarter. Lower production from Balama only impacted the global natural graphite market balance from late in Q4 due to delivery lead time from prior production. In conjunction with reduced Balama availability, seasonal domestic production closures in China, which commenced in Q4, will impact supply into Q1 2020. Signs of inventory drawdown and price stabilisation evident from late in Q4 2019 due to reduced Balama production and seasonal Chinese production closures.

Import/export trade data to end of October 2019 shows China moving to a net importer of natural flake graphite through 2019.

Logistics operations from mine to port were adjusted during the cost restructure process, with the truck fleet and utilisation reduced for lower than previous planned 2020 production volumes.

## Market Update

The primary driver of the challenging market conditions observed through much of the battery raw materials sector in H2 2019 was lower Chinese electric vehicle (EV) production driven by government subsidy adjustment. Despite this, the underlying thematic of decarbonisation of the transport sector via lithium ion powered electric vehicles (EV) continues to gain momentum. Significant ongoing commitments by EV supply chain participants during the quarter include:

- GM and LG Chem announced a \$2.3bn partnership to develop battery production capacity in Ohio, with construction of the facility reportedly set to begin in mid-2020.<sup>4</sup>
- Over the next few years, Volkswagen intends to become the world market leader in e-mobility and is investing €33 billion in these efforts throughout the group by 2024, including €11 billion in the

<sup>4</sup> GM news release, "General Motors and LG Chem Team Up to Advance Toward an All-Electric Future, Add Jobs in Ohio" (5 Dec 2019)

Volkswagen brand. Under the latest plans, the strategic target of one million electric cars is expected to be reached end of 2023, two years earlier than previously predicted. The Volkswagen brand expects 1.5 million electric cars to be produced in 2025.<sup>5</sup>

- BYD and Toyota announced they will establish a new joint venture focused on researching and developing battery electric vehicles. The two companies said that the new JV will be set up in China some time in 2020.<sup>6</sup>
- POSCO Chemical, one of the leading natural graphite-based anode producers, announced that it plans to invest 125.4 billion won in expanding its capacity to produce anode materials. The additional facility will have a capacity of 22,000 tons per year and with completion expected in 2021.<sup>7</sup>

Continued focus and scrutiny on the ESG credentials of battery raw material supply chains, examples during the quarter include:

- BMW seeking 'sustainable' lithium from Australia with signing of a five-year, €540 million lithium supply contract with Ganfeng Lithium<sup>8</sup>; and,
- Global tech companies named in US lawsuit over Congolese child cobalt mining.<sup>9</sup>

The strategic importance of battery raw materials continued to be recognised during the quarter, notably an EU Commission press release during the quarter outlined €3.2 billion in funding for research and innovation of battery value chain. Margrethe Vestager, Executive Vice-President “Europe fit for the Digital Age” and Commissioner in charge of competition policy, said: "Battery production in Europe is of strategic interest for our economy and society because of its potential in terms of clean mobility and energy, job creation, sustainability and competitiveness".<sup>10</sup>

China Association of Automobile Manufacturers (CAAM) reported total automobile sales down 8.2% and New Energy Vehicles (NEV) sales down 4% in 2019 versus 2018. Lower year on year China NEV sales can be largely attributed to macroeconomic pressure and a significant cut in subsidies. Subsequent to quarter end, China's Minister of Industry and Information Technology announced there will be no cut to subsidies for NEVs in July 2020. Growth in Europe sales during 2019 partially offset declines in other geographies, EV Volumes reported sales growth to end October 2019 for Battery Electric Vehicle (BEV) and Plug-in Hybrids (PHEV) up 39% versus 2018.

### **Battery Anode Material (BAM) Site – Vidalia (USA)**

Syrah achieved first production of purified spherical graphite at Vidalia in November 2019 with feed from Balama. Optimisation of production quality and specifications was undertaken through Q4 2019, with purity greater than 99.95% achieved.

Dispatch of purified spherical graphite samples from Vidalia to potential customers for testing is planned to commence in Q1 2020.

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<sup>5</sup> VW press release, "Volkswagen significantly raises electric car production forecast for 2025" (27 Dec 2019)

<sup>6</sup> Toyota press release, "BYD, Toyota Agree to Establish Joint Company for Battery Electric Vehicle Research and Development" (7 Nov 2019)

<sup>7</sup> Business Korea, "POSCO Chemical to Expand Anode Material Production Plant" (12 Nov 2019) - <http://www.businesskorea.co.kr/news/articleView.html?idxno=37922>

<sup>8</sup> BMW press release, "Securing raw material supplies for battery cells: BMW Group signs supply contract with Ganfeng for sustainable lithium from mines in Australia" (11 Dec 2019)

<sup>9</sup> The Guardian, "Apple and Google named in US lawsuit over Congolese child cobalt mining deaths" (16 Dec 2019) - <https://www.theguardian.com/global-development/2019/dec/16/apple-and-google-named-in-us-lawsuit-over-congolese-child-cobalt-mining-deaths>

<sup>10</sup> European Commission - Press release: "State aid: Commission approves €3.2 billion public support by seven Member States for a pan-European research and innovation project in all segments of the battery value chain", Brussels, 9 December 2019

Toll treatment of purified spherical graphite from Vidalia to produce coated spherical graphite (anode material) is planned during H1 2020. Procurement of equipment required for production of anode material at Vidalia commenced during the quarter, with planned first production of anode material from Vidalia planned during H2 2020.

## Finance and Corporate

A significant corporate restructure was undertaken during the quarter, reducing Executive Committee headcount. The restructure and corporate cost reductions are planned to deliver annual corporate cost reduction of ~US\$1.5 million (>20% reduction versus 2019).

Net cash inflow was US\$15 million for the quarter, inclusive of proceeds from issue of Convertible Note<sup>11</sup>. Cash balance at 31 December 2019 US\$81m versus forecast of US\$78m<sup>12</sup>, positive variance primarily due to higher than forecast VAT recoveries.

## Sustainability

Prioritisation of health, safety, environmental management, and commitment to key local sustainability initiatives have been maintained through the cost re-structuring activities undertaken through the quarter. Ongoing community initiatives during the quarter include:

- Ongoing commitment to the Balama Professional Training Centre, with commencement of third intake of students;
- Construction of all 80 grain storage facilities planned for 2019 as part of the Livelihood Development and Community Health & Safety Programs were complete. With an additional 12 units constructed to cater for high demand from resettled farmers, bringing the total to 92 grain storage facilities handed over to beneficiaries during calendar year 2019;
- Reforestation campaign commenced under the Rehabilitation Program to develop areas affected by mining-related activities and other external factors such as wildfire (approx. 5 hectares); and,
- Preparation for construction of Pirira primary school.

As at the end of the quarter, 96% of Balama's direct employees are Mozambican nationals with 49% from the local host communities and 21% are female.

The Environmental Monitoring Program continued in line with over 200 licence conditions, with zero significant environmental incidents during the quarter.

## Outlook

Reduction of Balama production and inventory at Balama/Nacala through Q4 2019 positions the asset for prevailing demand to drive production volume through Q1 2020. Seasonal moderation of Chinese domestic production in conjunction with lower production from Balama is expected to result in lower Chinese and global inventories.

Balama product differentiators will continue to be strategically important through 2020. In particular:

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<sup>11</sup> Refer to ASX announcement 14 October 2019.

<sup>12</sup> Refer to ASX announcement 18 October 2019.

- product quality (fixed carbon grade and impurities);
- capability as a base load supplier of natural flake graphite into the battery raw material supply chain; and,
- Syrah's best practice ESG credentials.

The plant at Vidalia as at quarter end (31 December 2019) will be utilised through 2020 for: qualification of material in the battery supply chain; supply chain engagement to inform ongoing feasibility work for larger scale facility capable of commercial production rates; and development of options for strategic and financial partnerships.

Forecast Q1 2020 Group net cash outflow is ~US\$16.0 million comprising of:

- Balama net operating expenditure and sustaining capital outflows of US\$12.3 million;
- BAM cash outflows of US\$2.2 million; and,
- cash outflows from general corporate and administration activities net of interest income of US\$1.5 million.

Forecast cash balance as at end of Q1 2020 is ~ US\$64.6 million.

## Licences

The following table lists the current licences held by Syrah Resources Limited and its subsidiaries as at 31 December 2019:

| Project             | Licence Number | Licence Type      | Country    | Interest acquired/farm-in during the quarter | Interest disposed/farm-out during the quarter |
|---------------------|----------------|-------------------|------------|--|---|
| Balama              | 6432C          | Mining Concession | Mozambique | -  | -   |
| Balama              | 5684L          | Exploration       | Mozambique | -  | -   |
| Balama <sup>1</sup> | 6174L          | Exploration       | Mozambique | -  | -   |

(1) Syrah has entered into a Tenement Sale Agreement (TSA) for the acquisition of a tenement (Tenement) in Balama currently held on trust by a third party (Seller). Under the TSA, Syrah may be required to issue to the Seller, as part of the contingent consideration for the acquisition of the Tenement, up to US\$2.0 million of fully paid ordinary shares (Sale Shares) in various tranches, with the number of Sale Shares under each tranche to be calculated based on the 30 day volume weighted average price of Syrah shares prior to the issue date. The Sale Shares (if issued) will rank equally with Syrah's existing shares, and will not be issued to an existing class of security holders in Syrah. It is not expected that security holder approval will be required for the issue of Sale Shares. Due to an administrative decision to use district boundaries to define mineral titles, Exploration Licence 5684L was split into two, with one half retaining the original licence number and the other half being designated Exploration Licence 6174L. There was no change to the total value of the contingent consideration because of this administrative decision. Exploration Licence 5684L is in the process of renewal.

## **This ASX release was authorised on behalf of the Syrah Board by**

Shaun Verner, Managing Director

### **For further information contact Investor Relations**

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### **About Syrah Resources**

*Syrah Resources Limited (ASX code: SYR) is an Australian-based industrial minerals and technology company. Syrah owns and developed the Balama Graphite Project (Balama) in Mozambique. Balama transitioned to operations with sales and shipments to a global customer base including the battery anode producers, from the start of 2018. Syrah produced over 100,000 tonnes of natural graphite in 2018 and is the largest and first major new natural graphite operation developed outside of China. Balama will be the leading global producer of high purity graphite. Balama production is targeted to supply traditional industrial graphite markets and emerging technology markets. Syrah is also progressing its downstream Battery Anode Material strategy with first production of spherical graphite achieved in December 2018 from its plant in Louisiana, USA. Syrah has successfully completed extensive product certification test work with several major battery producers for the use of Balama spherical graphite in the anode of lithium-ion batteries.*

### **Forward Looking Statement**

*This document contains certain forward-looking statements. The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan", "targets" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements in this presentation include statements regarding: the timetable and outcome of the equity offer and the use of the proceeds thereof; the capital and operating costs, timetable and operating metrics for the Balama Project; the viability of future opportunities such as spherical graphite, future agreements and offtake partners; future market supply and demand; and future mineral prices. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.*

*Forward-looking statements, including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This presentation contains such statements that are subject to risk factors associated with the mineral and resources exploration, development and production industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to the following risks: dependence on commodity prices, availability of funding, impact of inflation on costs, exploration risks, including the risks of obtaining necessary licences and diminishing quantities or grades of reserves, risks associated with remoteness, environmental regulation risk, currency and exchange rate risk, political risk, war and terrorism and global economic conditions, as well as earnings, capital expenditure, cash flow and capital structure risks and general business risks. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including the Company). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. The forward-looking statements in this presentation speak only as of the date of this presentation. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, the Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this presentation to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this presentation will under any circumstances create an implication that there has been no change in the affairs of Syrah since the date of this presentation.*

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

SYRAH RESOURCES LIMITED

**ABN**

77 125 242 284

**Quarter ended ("current quarter")**

31 DECEMBER 2019

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>US\$'000</b> | <b>Year to date<br/>(12 months)<br/>US\$'000</b> |
|---|-------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                     |  |
| 1.1 Receipts from customers                               | 10,115                              | 69,519   |
| 1.2 Payments for  |                                     |  |
| (a) exploration & evaluation                              | -                                   | -  |
| (b) development <sup>(1)</sup>                            | -                                   | (4,786)  |
| (c) production  | (21,944)                            | (94,080)   |
| (d) staff costs <sup>(2)</sup>                            | (6,359)                             | (22,698)   |
| (e) administration and corporate costs                    | (660)                               | (2,700)  |
| 1.3 Dividends received (see note 3)                       | -                                   | -  |
| 1.4 Interest received                                     | 255                                 | 1,298  |
| 1.5 Interest and other costs of finance paid              | -                                   | -  |
| 1.6 Income taxes paid                                     | -                                   | -  |
| 1.7 Research and development refunds                      | -                                   | -  |
| 1.8 Other - VAT recoveries                                | 1,992                               | 10,666   |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(16,601)</b>                     | <b>(42,781)</b>                                  |

<sup>(1)</sup> Includes cash flows from the payment of creditors from production ramp-up activities at Balama prior to the declaration of commercial production.

<sup>(2)</sup> Includes staff costs in relation to Balama Graphite Operation, BAM Project and Corporate & Administration functions

|  |         |          |
|--|---------|----------|
| <b>2. Cash flows from investing activities</b> |         |          |
| 2.1 Payments to acquire:                       |         |          |
| (a) property, plant and equipment              | (6,357) | (29,156) |
| (b) tenements (see item 10)                    | -       | -        |
| (c) investments                                | -       | -        |

## Mining exploration entity and oil and gas exploration entity quarterly report

|            |   |                |                 |
|------------|---|----------------|-----------------|
|            | (d) other non-current assets                          | -              | -               |
| 2.2        | Proceeds from the disposal of:                        |                |                 |
|            | (a) property, plant and equipment                     | -              | -               |
|            | (b) tenements (see item 10)                           | -              | -               |
|            | (c) investments                                       | -              | -               |
|            | (d) other non-current assets                          | -              | -               |
| 2.3        | Cash flows from loans to other entities               | -              | -               |
| 2.4        | Dividends received (see note 3)                       | -              | -               |
| 2.5        | Other – Environmental Bond                            | (1,247)        | (1,247)         |
| <b>2.6</b> | <b>Net cash from / (used in) investing activities</b> | <b>(7,604)</b> | <b>(30,403)</b> |

|             |   |               |               |
|-------------|---|---------------|---------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |               |               |
| 3.1         | Proceeds from issues of shares  | -             | 39,206        |
| 3.2         | Proceeds from issue of convertible notes                                    | 39,093        | 39,093        |
| 3.3         | Proceeds from exercise of share options                                     | -             | -             |
| 3.4         | Transaction costs related to issues of shares, convertible notes or options | (180)         | (1,683)       |
| 3.5         | Proceeds from borrowings  | -             | -             |
| 3.6         | Repayment of borrowings   | -             | -             |
| 3.7         | Transaction costs related to loans and borrowings                           | -             | -             |
| 3.8         | Dividends paid  | -             | -             |
| 3.9         | Other (provide details if material)   | -             | -             |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>38,913</b> | <b>76,616</b> |

|            |  |               |               |
|------------|--|---------------|---------------|
| <b>4.</b>  | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |               |               |
| 4.1        | Cash and cash equivalents at beginning of period                             | 65,499        | 77,146        |
| 4.2        | Net cash from / (used in) operating activities (item 1.9 above)              | (16,601)      | (42,781)      |
| 4.3        | Net cash from / (used in) investing activities (item 2.6 above)              | (7,604)       | (30,403)      |
| 4.4        | Net cash from / (used in) financing activities (item 3.10 above)             | 38,913        | 76,616        |
| 4.5        | Effect of movement in exchange rates on cash held                            | 376           | 5             |
| <b>4.6</b> | <b>Cash and cash equivalents at end of period</b>                            | <b>80,583</b> | <b>80,583</b> |

| <b>5. Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>US\$'000</b> | <b>Previous quarter<br/>US\$'000</b> |
|--|-------------------------------------|--------------------------------------|
| 5.1 Bank balances  | 18,363                              | 25,772                               |
| 5.2 Call deposits  | 62,220                              | 39,727                               |
| 5.3 Bank overdrafts  | -                                   | -                                    |
| 5.4 Other – Security deposits  | -                                   | -                                    |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>80,583</b>                       | <b>65,499</b>                        |

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
US\$'000**

235

-

The above related party payments include salaries, superannuation, advisory and consultancy fees paid to directors and/or director related entities during the quarter ended 31 December 2019, including amounts paid to Sal & Caldeira Advogados a related party of José Caldeira (Non-Executive Director).

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
US\$'000**

-

-

N/A

| 8. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | Total facility amount<br>at quarter end<br>US\$'000 | Amount drawn at<br>quarter end<br>US\$'000 |
|--|---|--|
| 8.1 Loan facilities  | -   | -  |
| 8.2 Credit standby arrangements  | -   | -  |
| 8.3 Other – Convertible Note   | 39,093  | 39,093                                     |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |   |  |

Syrah issued a 5-year unsecured convertible note to AustralianSuper Pty Ltd during October 2019 to raise A\$55.8 million (Convertible Note). Interest to accrue on Principal Outstanding at a rate of (at the Company's discretion): 8% per annum, capitalised quarterly in arrears and added to Principal Outstanding; or 7.5% per annum if Syrah elects to make interest payments in cash. See ASX announcement dated 19 June 2019 for a summary of key terms associated with the Convertible Note.

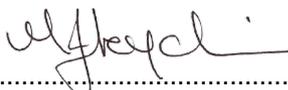
| 9. <b>Estimated cash outflows for next quarter</b> | US\$'000      |
|--|---------------|
| 9.1 Exploration and evaluation                     | -             |
| 9.2 Development <sup>(1)</sup>                     | 3,000         |
| 9.3 Production <sup>(2)</sup>                      | 7,000         |
| 9.4 Staff costs <sup>(3)</sup>                     | 5,000         |
| 9.5 Administration and corporate costs             | 1,000         |
| 9.6 Other  | -             |
| <b>9.7 Total estimated cash outflows</b>           | <b>16,000</b> |

- <sup>(1)</sup> Development cash outflows consist of construction and equipment installation costs for the Battery Anode Material facility in Vidalia, Louisiana (BAM Project) and sustaining capital costs for the Balama Graphite Operation.
- <sup>(2)</sup> Commercial production was declared for the Balama Graphite Operation with effect from 1 January 2019. Production cash outflows consists of production costs (excluding staff costs which are disclosed separately), net of revenue received from the sale of graphite.
- <sup>(3)</sup> Includes staff costs in relation to the Balama Graphite Operation, BAM Project and Corporate & Administration functions.

| 10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>                            | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|---------------------------------|--------------------|----------------------------------|----------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | N/A                             | N/A                | N/A                              | N/A                        |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased           | N/A                             | N/A                | N/A                              | N/A                        |

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  .....  
(Company secretary)

Date: 22 January 2020

Print name: Melanie Leydin

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.