



ANNUAL REPORT FOR THE FULL YEAR ENDED 31 DECEMBER 2019

Syrah Resources Limited (ASX: SYR) (“Syrah” or “Company”), releases its Annual Report for the full year ended 31 December 2019.

Key Points:

- Strong health and safety record with Total Recordable Injury Frequency Rate (TRIFR) of 0.6 as at end of 2019, and demonstrated ongoing commitment to environment and community initiatives
- Demonstrated operational improvement and capability to produce high grade, low impurity products from Balama Graphite Operation (“Balama”) in Mozambique, with production of 153kt in 2019
- Position in the global natural graphite market further established, with 123% increase in sales in 2019 versus prior year (163kt in 2019 versus 73kt in 2018). Transition by China to a net importer of natural graphite through 2019, largely due to import of Syrah material
- Net loss after tax of US\$130.5 million, includes non-cash post tax impairment of property, plant and equipment and mining assets of US\$65.9 million, and inventory write down of US\$6.7 million
- Companywide cost restructure initiated in response to market imbalance in natural graphite market, primarily due to negative year-on-year Electric Vehicle (“EV”) sales growth in China during the second half of the year. Strong progress toward initial target of C1 cost reduction of 20-25%
- Progression of strategy to become the first major integrated ex-China producer of natural graphite active anode material, with installation of batch scale spherical graphite purification plant completed at the Battery Anode Material (“BAM”) project in Vidalia (Louisiana, USA) and first production of purified spherical graphite with purity of >99.95% carbon achieved
- Increasing USA and EU government and industry focus on long term critical battery mineral supply, including natural graphite, with COVID 19 also highlighting the importance of supply chain diversification. Balama and BAM well positioned in that regard
- Adjusted remuneration arrangements for Non-Executive Directors to increase portion payable in equity, and Senior Executive group five-year retention and performance program implemented
- Cash of US\$80.6 million as at 31 December 2019, and expected to be broadly in line with Q1 2020 guidance of US\$64.6 million at 31 March 2020
- Post year end, production and operations at Balama and BAM temporarily suspended as a result of impacts from COVID 19, including domestic and international travel restrictions in Mozambique and the USA. The Group will continue to sell from product inventory through the Port of Nacala to the extent this remains possible, and subject to end market demand which has also been impacted globally by COVID 19

Significant operational progress was made at Balama in 2019 with embedding of management systems and processes that improved plant reliability, enabling full year natural graphite production at Balama of 153kt. Although Balama was positioned operationally to achieve higher full year production, output was constrained by lower than expected natural graphite market demand during H2 2019, primarily due to lower year-on-year EV sales growth in China during the second half of the year. The weaker than expected demand in 2019 caused a market imbalance during the third quarter, resulting in downward pressure on global natural graphite prices and led to the decision to moderate production at Balama and undertake a companywide cost restructure in the last quarter of the year.

In the early part of 2020, significant disruption to global supply chains is occurring as a result of COVID 19, while governments in the countries in which we operate have also placed significant restrictions on domestic and international people movement. As a result of people movement restrictions in Mozambique, the Company announced a temporary suspension of operations at Balama from 28 March 2020 and has also temporarily suspended operations at our BAM plant in USA. The full impact on the business from COVID 19 is not yet known. Syrah is however well positioned to benefit from any improvement in focus on supply chain diversification for natural graphite upon operational restart.

The Company had US\$80.6 million available cash as at 31 December 2019. An equity issue via an entitlement offer during 2019 positions Syrah's balance sheet to navigate near term market imbalances in an orderly manner. A Convertible Note issue was announced in conjunction with the equity issue in the second quarter which had a 120-day option to allow for completion of an in-progress process to assess debt funding options. The 120-day option period coincided with the sudden and material drop in prices observed through the third quarter, and subsequently the Convertible Note was issued. In addition to issuing the Convertible note, a companywide restructure was initiated which included an Executive team restructure and a significant reduction of the cost base at Balama. Long term (5 year) remuneration of the Executive Team and key management has also been aligned to the term of the Convertible Note post 31 December 2019.

Syrah continued to make progress towards becoming an ex-Asia vertically integrated supplier of active anode material into the battery supply chain, with first production of purified spherical graphite with purity of >99.95% carbon achieved during 2019. Almost all active anode material for the lithium-ion battery supply chain is currently produced in Asia between China, Japan and Korea. Critically 100% of natural graphite precursor production (purified spherical graphite) is produced in China – a situation that is not sustainable for long term global battery manufacturing capacity growth. Awareness of this risk of supply chain concentration has been heightened through US/China trade restrictions in 2019 and the more recent impacts from COVID 19 disruption. Through development of the Vidalia BAM operation, Syrah is positioning to become a complementary and alternate source of supply for purified spherical graphite and active anode material for emerging ex-Asia markets of the Americas and Europe.

Results Summary

Period ended (US\$m)	31 Dec 2019	31 Dec 2018
Revenue	72.2	-
Cost of sales	(105.5)	-
Total expenses	(26.8)	(32.0)
Impairment of assets	(96.9)	-
Loss before net finance expenses and income tax	(157.0)	(32.0)
Loss before income tax	(157.9)	(30.8)
Loss after income tax	(130.5)	(29.0)
Net cash inflow(outflow) from operating activities	(33.6)	(10.0)
Net cash inflow/(outflow) from investing activities	(36.6)	(94.6)
Net cash inflow/(outflow) from financing activities	73.6	70.5

Balance as at (US\$m)	31 Dec 2019	31 Dec 2018
Cash and cash equivalents	80.6	77.1
Total assets	432.1	473.8
Total liabilities	80.3	28.6
Net assets	351.9	445.2

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

Shaun Verner, Managing Director

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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.

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