

Q3 2017 Quarterly Activities Report

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Continue to progress towards becoming the world's pre-eminent supplier of natural graphite

Syrah Resources Q3 2017 Highlights

Health and Safety	<ul style="list-style-type: none"> - Strong health and safety record continues - Achieved over 1.8 million hours worked without a loss time injury - Total Recordable Injury Frequency Rate (TRIFR) of 1.2
Balama Graphite Project (as at 30 October)	<ul style="list-style-type: none"> - All major construction works substantially complete - Full ore commissioning of the combined crusher, primary mill, scrubber, classification, thickener and tails disposal system completed - First production of intermediate flake and fines product achieved - First production of bagged saleable flake product expected in second half November 2017
Sales and Marketing	<ul style="list-style-type: none"> - Sale agreement signed with BTR New Energy Minerals for 30,000 tonnes of graphite in the first year of production, significant endorsement of Balama's quality and suitability for the battery market
Battery Anode Material (BAM) Project	<ul style="list-style-type: none"> - Strategy update with incremental investment to accelerate commercial production - Site commercial lease, detailed engineering design and construction planning well underway - Testing continuing to benchmark the electrochemical properties of BAM product
Mining Agreement	<ul style="list-style-type: none"> - Approved and administration completion progressing
Financing	<ul style="list-style-type: none"> - Completed Institutional Placement and Entitlement Offer in Q3 2017 raising US\$57 million and completed Retail Entitlement offer post quarter end raising an additional US\$29 million

Health, Safety, Environment and People

Strong health and safety record and ongoing community engagement

- Achieved over 1.8 million hours worked without lost time injury
- Total Recordable Injury Frequency Rate (TRIFR) of 1.2
- Zero non-compliances across >200 environmental license conditions
- 2,120 people currently employed at Balama Project with 86% Mozambican nationals
- Chipembe Dam large scale irrigation and agriculture community program underway



Company trained laboratory technicians



Chipembe Dam irrigation channel and agricultural land clearance and cultivation for crop planting



Mechanical groundwater borehole by Syrah provides reliable access to clean drinking water

Balama Graphite Project: Construction substantially complete and front end commissioning completed

First intermediate concentrate produced, first bagged saleable product expected second half November 2017

Primary Scrubbing/ Milling/ and Classification	<ul style="list-style-type: none"> - Construction complete - Ore commissioned and ready for operations 	Screening and Polishing Mills	<ul style="list-style-type: none"> - Construction nearing completion - Minor electrical and instrumentation works remaining
Flotation	<ul style="list-style-type: none"> - Construction complete - Ore commissioning commenced 	Filtration	<ul style="list-style-type: none"> - Construction nearing completion - Minor electrical and instrumentation works remaining
Secondary Mill and Classifier	<ul style="list-style-type: none"> - Construction complete - Commissioning to commence shortly 	Drying, Screening and Bagging	<ul style="list-style-type: none"> - Construction nearing completion - Minor electrical and instrumentation works remaining - Commissioning to commence shortly



Crushing and primary milling



Flotation



Flakes and fines drying

Balama Graphite Project: Transition to Operations and Support Services

Supporting infrastructure complete, operations and maintenance required personnel on board

Power & Water	<ul style="list-style-type: none"> - Power station fully commissioned and operational - Pipeline and pump station construction structurally complete - Process water storage and supply commissioned and operational 	Mining	<ul style="list-style-type: none"> - Balama West pit developed - ROM pad complete and is in use for ore commissioning activities
Support Infrastructure	<ul style="list-style-type: none"> - Fully functional including: fuel storage; site administration; finished product storage building; fixed plant and mobile fleet workshops; laboratory; reagents warehouse; medical centre; site accommodation; and canteen 	Tailings Storage Facility	<ul style="list-style-type: none"> - Cell 1A completed and ready for operations - Cell 1B under construction



Power station



Process water storage



Tailings storage facility

Balama Graphite Production

First production of intermediate concentrate achieved October 2017

- First production of bagged saleable flake product expected in second half November 2017
- Estimated project cost US\$210 million (from US\$205 million) following revised schedule
 - Increase due to owner's team holding cost and additional resources
- CY18 production expected to be 160,000 – 180,000 tonnes
- CY19 production expected to be 250,000 – 300,000 tonnes subject to global market demand
- Qualification period varies by customer and end use



Intermediate concentrate production

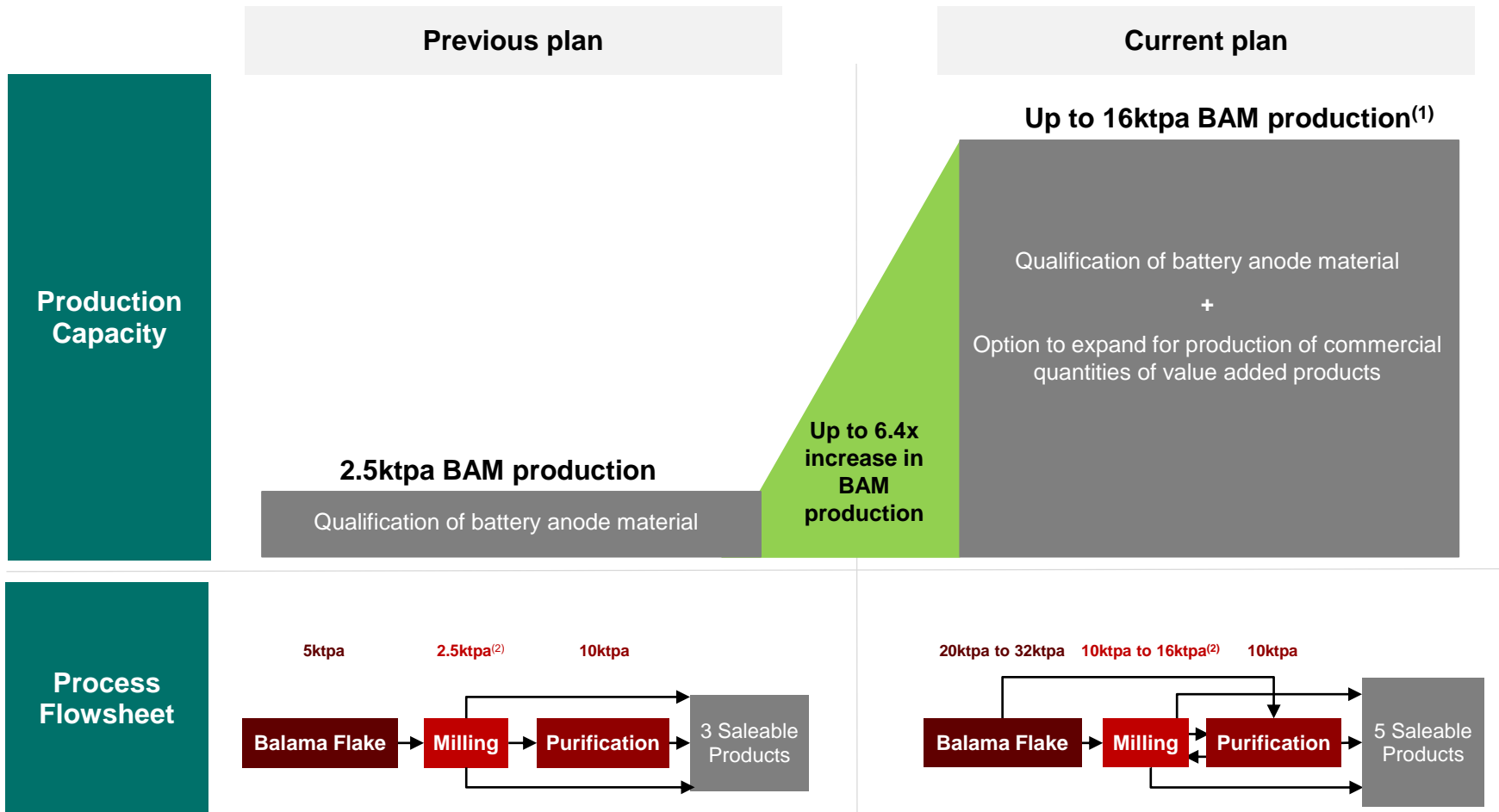
Battery Anode Material (BAM) Project

Pursuing BAM strategy to establish first mover advantage and maximise value

Feedstock	<ul style="list-style-type: none"> - High purity flake graphite concentrate from Balama (-100 mesh size material)
Processing capacity and product mix	<ul style="list-style-type: none"> - Planned milling and purification capacity of 10kt per annum⁽¹⁾ - Optionality to produce variety of saleable material to diversify customer and sales base
Location	<ul style="list-style-type: none"> - Louisiana provides easily available access to primary processing consumables and low cost power - Strategically located to service the fast growing United States lithium-ion battery industry, with sea freight access to export markets - Plant commercial lease, detailed engineering design and construction planning activities well underway
Funding and Timing	<ul style="list-style-type: none"> - US\$40m will be used for construction of a BAM production facility in Louisiana and ongoing Syrah BAM product research testing and development - Targeting production of BAM during Q2 2018, initial focus on BAM product qualification - Targeting commercial scale production and sales of value added products during Q4 2018
Research and development	<ul style="list-style-type: none"> - Testing and benchmarking the electrochemical properties of battery anode materials using Balama material is continuing - Benchmarking will inform the evolution of Syrah's BAM product roadmap, the first generation expected to be completed in Q1 2018 - Spend during the quarter was for resourcing and capital for graphite anode and battery cell testing
Sales and marketing agreements	<ul style="list-style-type: none"> - Sales and marketing agreements announced to date with Marubeni and Morgan Hairong - Other negotiations are ongoing with potential battery market participants

(1) Initially planned milling and purification capacity of 10kt per annum, option to expand milling capacity to 16kt per annum

Incremental BAM investment accelerates commercial production and is expected to enhance product options



(1) Initially planned milling and purification capacity of 10kt per annum. Option to expand milling capacity to 16kt per annum

(2) Milling capacity refers to milling output assuming a 50% yield from flake mill feedstock

Sales and Marketing

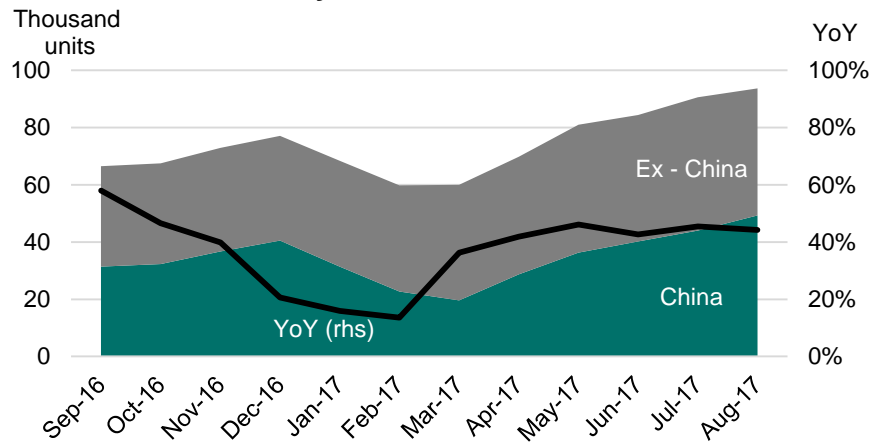
Sale agreement signed with BTR, the world's largest battery anode manufacturer

- Announced binding sales agreement with BTR on 8 September 2017
 - 30,000 tonnes of graphite from Balama in first year production
 - Significant endorsement of Balama's quality and suitability for the battery market
 - Positive discussions with BTR continue for Balama sales and supply chain cooperation
- Further negotiations underway:
 - Sales to further Chinese spherical and battery anode producers
 - Contracts in traditional markets to be implemented post commencement of production
- Toll processing for spherical product opportunities continue to be developed
- Marketing office in Dubai established

Graphite Market Update

Positive market dynamics for graphite

Monthly Electric Vehicle Sales



Demand

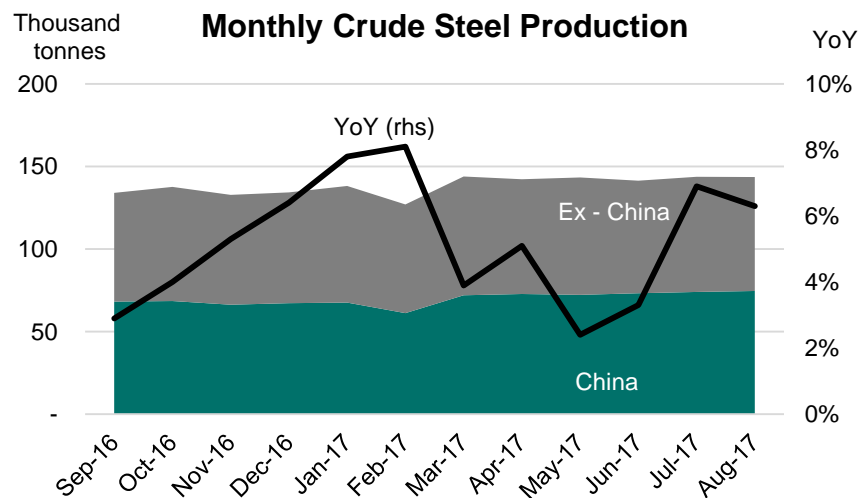
- Global electric vehicle (BEV + PHEV) sales up +42% to 620,000 units to August, supporting demand for fines used in batteries
- Steel market continues to perform well, +6.5% YoY increase in production in August, which is driving natural graphite consumption for refractory and recarburiser applications
- Demand growth for natural flake graphite continues to track well against Syrah's internal forecast of +7% this year

Supply

- In China, there are supply constraints of larger flake material due to the ongoing focus of the environmental performance of domestic mining operations

Price

- The price for larger flake graphite, used in refractory applications, rose by +20 – 30% over the quarter
- Prices for minus 100 mesh (also known as fines) natural graphite, used in the battery sector, continue to improve
- Prices for natural spherical graphite increased by approximately +10% over the quarter
- Increased focus from battery anode manufacturers on increasing the concentration of natural graphite given the recent sharp rise in synthetic graphite prices



Source: Worldsteel, NBS, SNE Research

Graphite market industry commentary

Recent Commentary

3 Month Price Change



“Inspectors have been back to Shandong (China’s main graphite producing area) for a second round of checks, which has affected production operations”.

+35%
-100 mesh, 94-97%



“Spot prices of refractory grade graphite sold in the European market have seen a sharp rise”.

+20%
-100 mesh, 94%



“China’s environmental restrictions on flake graphite mining created severe price pressures”.

+30%
Larger flake sizes

“Flake graphite prices to their highest point in over two years “.



“Prices for natural flake graphite have risen in recent weeks as the market tightens, with the largest increases seen in grades above 95%”.

+20%
Larger flake sizes

“Shandong faced strict environmental protection inspections and almost all of the flake graphite producers halted production”.

+10%
-100 mesh, 94%

Finance and Corporate

Successfully completed capital raise and Mining Agreement approved

- Cash balance as at 30 September 2017 US\$121 million
 - Excludes proceeds from Retail Entitlement Offer US\$29 million received in October
- Successfully completed capital raise, total gross proceeds US\$86 million (A\$110 million)
- Net proceeds from the equity capital raise will be used to fund
 - Net working capital and costs of Balama Project ramp-up to positive cash flows
 - Project development with commercial acceleration of BAM Project
 - Other corporate, general and administrative costs
- Continue to review debt financing options as Balama Project ramps up production and end-use markets develop
- Mining Agreement approved, administrative completion in progress

Summary

Significant progress achieved

- Strong health and safety record continues
- Balama Project construction substantially complete, and front end commissioning and infrastructure completed
- First production of intermediate concentrate achieved October
- First production of bagged saleable flake product expected in second half November 2017
- BAM strategy update to achieve earlier commercialisation and establish first mover advantage
- Sales agreement with largest battery anode manufacturer
- Positive graphite market dynamics, exceeding internal expectations
- Balance sheet remains strong
- Syrah Resources remains the only major new supplier of graphite to world's battery market

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