

Q2 2018 Quarterly Activities Report

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Q2 2018 Highlights

Health and Safety	<ul style="list-style-type: none"> - Strong safety record continues with Total Recordable Injury Frequency Rate (TRIFR) of 1.0 - ISO certification awarded for Health, Safety and Environment
Balama Graphite Operation	<ul style="list-style-type: none"> - Q2 production 21.2kt and H1 32.4kt, recoveries in Q2 primarily impacted by inconsistent flotation and process control - COO review initiated to improve graphite recovery and production ramp up performance - Post review, 2018 production target revised to 135kt to 145kt from 160kt tonnes¹ and C1 cash operating costs² forecast US\$430/t to US\$450/t (previously US\$400/t) by the end of 2018 - From 2019, C1 cash operating costs² to initially progress below US\$400/t and continue to decline towards US\$300/t as volumes increase
Sales and Marketing	<ul style="list-style-type: none"> - Continued positive product quality feedback received, resulting in increased order volumes - First half graphite sold and shipped of 16kt with further 7kt sold awaiting shipment at Nacala - Price realisation remains lower than basket price inferred by external price reporters - Improved prices expected in H2 versus H1 due to new sales and Balama product mix changes
Battery Anode Material (BAM) Project	<ul style="list-style-type: none"> - BAM site purchase scheduled to complete in August - Full cell testing commenced with global top 10 battery producer, initial results indicate positive performance - Increased engagement with potential customers for product refinement and development of supply chain cooperation - Targeting initial qualification production by year end, subject to installation timeline and capital allocation
Finance	<ul style="list-style-type: none"> - Cash on hand US\$56.7m as at 30 June 2018 versus forecast US\$55.0m - Forecast cash balance end Q3 2018 ~US\$40m - Timing of BAM major capital expenditure post site finalisation will be made in conjunction with Balama cash flow profile

(1) Refer to ASX announcements titled "Syrah finalises Balama Graphite study and declares maiden ore reserve" released on 29 May 2015, "Syrah increases Balama Reserves and awards Laboratory Contract" released on 15 November 2016. All material assumptions underpinning the production target in these announcements continue to apply and have not materially changed.

(2) FOB Port of Nacala, excluding government royalties and taxes.



Health, Safety, Community and Environment

Focus on Health and Safety

- TRIFR 1.0 per million hours worked
- ISO certification awarded for Health, Safety and Environment

Security

- Security procedures and protocols increased
- Recent incidents in northern Mozambique, remote from Balama, have had no impact on operations

Environmental Sustainability

- Environmental Monitoring Program in line with >200 license conditions
- Balama nursery native tree planting commenced

Community Engagement

- Balama direct employees, 93% Mozambican Nationals and >50% from local communities
- Balama Training Centre construction
- Livelihood Restoration Program
- Local community school refurbishment



Balama Training Centre commencement of construction ceremony



Balama native tree nursery



Local school refurbishment

Balama Production

Production Summary		H1 30 Jun 2018	Q2 30 Jun 2018	Q1 31 Mar 2018	Q2 on Q1 Change
Ore Mined (>9% TGC ¹)	Tonnes ('000)	532	249	283	(12%)
Mill Feed	Tonnes ('000)	444	258	186	39%
Mill Feed Grade	TGC ¹	16%	16%	17%	(6%)
Recovery		42%	49%	34%	44%
Graphite Produced	Tonnes ('000)	32.4	21.2	11.2	89%
Average Fixed Carbon		95%	95%	95%	-

- COO review initiated and key areas to improve graphite recovery and production ramp up performance identified
- Mining, mill feed and feed grade performance in line with plan
- Filtration, drying, screening and bagging lines performing well, optimisation continuing as volumes increase
- Recoveries improved in Q2, however below plan - reagent dosing and secondary grinding circuit improvement, float level control resolution achieved
- Average fixed carbon grade 95.2% with range 94% to 96%
- Production ratio of fines to coarse flake beginning to normalise towards long term 70:30% split

(1) TGC = Total Graphitic Carbon

Balama Optimisation

Process Plant and Operations

- Detailed improvement plan focused on - equipment utilisation, plant availability and recoveries
- Recoveries key actions - flotation process control and increased operating stability with enabling activities underway in all identified areas



Fine flake circuit attrition cells

Attrition Cells and Other

- Attrition cells
 - Installation completed in Q2
 - Commissioning commenced July
 - Operational August
 - Allows for higher carbon grade 96% to 98%
- Other - update to Vanadium scoping study in Q4



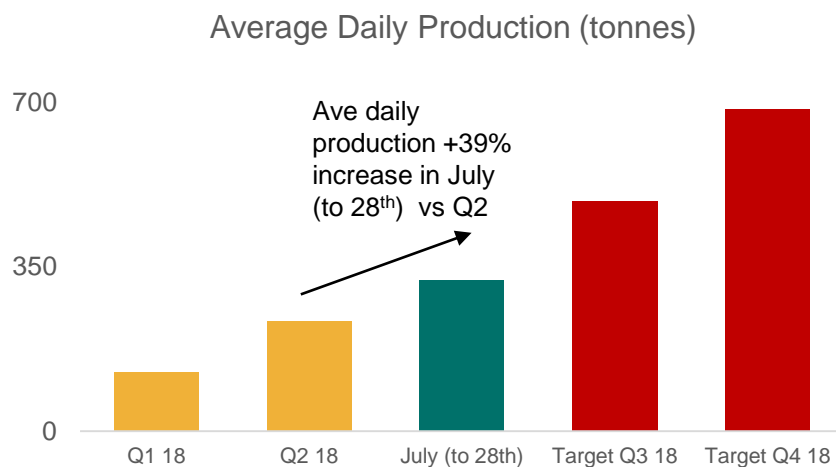
Coarse flake circuit attrition cells



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Balama Targets

	Revised Target	Prior
Graphite production 2018 ¹	135,000 – 145,000 tonnes	160,000 tonnes
H2 ramp up production split	~Q3:40% Q4:60%	
C1 Cash Operating Costs ² by end 2018	US\$430/t – US\$450/t	US\$400/t
Balama operational cash flow positive	From late 2018	Mid H2 2018



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- (2) C1 cash operating costs (FOB Port of Nacala, excluding government royalties and taxes).



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Sales & Marketing

Sales

- Positive customer qualification feedback resulting in increased order volumes
- Further contractual negotiations ongoing
- H1 sales allocation of 23kt to existing contracts and qualification shipments
- Sales book progress impacted by lower production

Logistics

- Contractor transitioned to permanent cross dock facility (CDF) and dedicated trucking fleet
- Inventory higher than planned
 - Balama warehouse cycle time
 - Customs processing times at Port of Nacala as volumes increase
 - Resolution of issues underway, leading to release of working capital
- Steady state total inventory ~15kt

Graphite tonnes ('000)

H1 2018

Tonnes ('000)

Graphite Sold and Shipped

16

Graphite Sold and Awaiting Shipment at Nacala

7

Balama Inventory

9

Total Production

32



Graphite produced to be loaded onto shipping containers at permanent CDF



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Graphite Pricing

Near Term

- Product weighted realised price remains lower than inferred by external reporters
- Q2 basket price realisation impacted by
 - Product mix of sales
 - Fines shipments prioritised to battery customers to meet contractual obligations
 - Seasonal market dynamics
- Improved product weighted price expected in H2 vs H1
 - Customer diversification
 - Product mix rebalances towards fines to coarse ratio 70:30%
 - Continued demonstration of product quality and consistency resulting in additional and larger shipments

China vs International Prices

- Syrah's current fines price influenced by China domestic market, inland logistic costs and VAT
- Coarse flake market relatively balanced to deficit, current prices reflecting China domestic and international prices

Medium to Longer Term

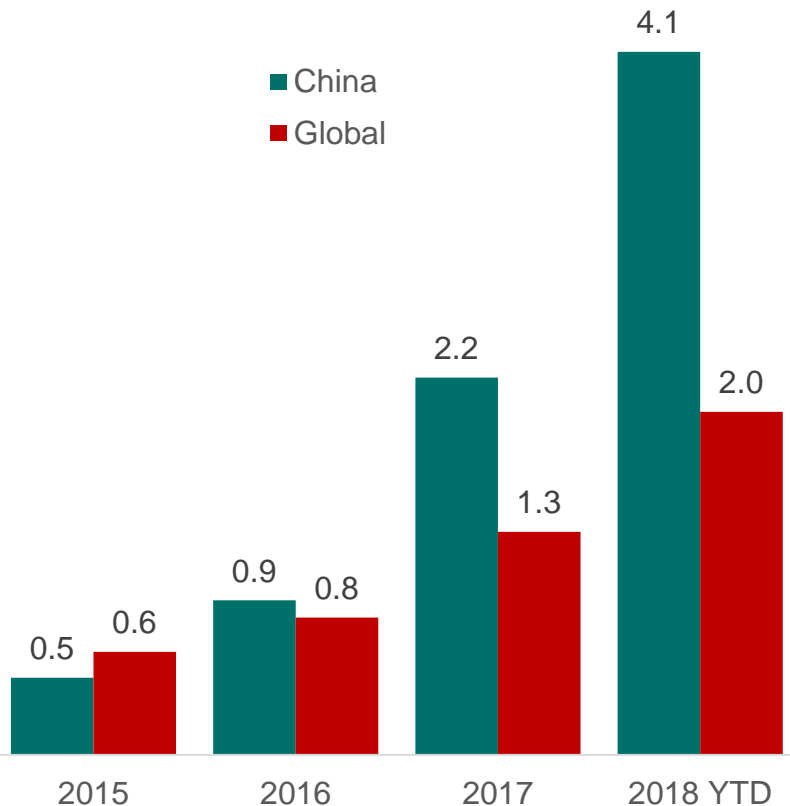
- Expect China to shift to net importer of fines in 2019/2020 due to Li-ion battery anode demand
- Expect fines price fundamentals to improve as global fines market rebalances
- Syrah's value in use to provide pricing differentiation



Global EV market growth strong; China accelerating

Electric Vehicle Market Share

% of total car sales



Source: Syrah Resources, China Association of Automobile Manufacturers, McKinsey
Notes: YTD = Year To Date. China data as of May 2018. Global data as of April 2018.

Lithium-ion Battery Sector

- Jan to May 2018 (YTD), global total passenger electric vehicle sales were 573K (+69% YoY)
- Electric vehicle lithium-ion battery sales were 17GWh from Jan to May (+65% YoY)
- YTD, China has installed 12.6GWh of new electric vehicle lithium-ion battery capacity, a +254%YoY increase

Demand for fines material for anodes is strong

Steel Sector

- Global crude steel production has increased +6.6% YoY to May; supply is outpacing demand
- Global utilisation rate up to 77%, from 69% at the end of last year

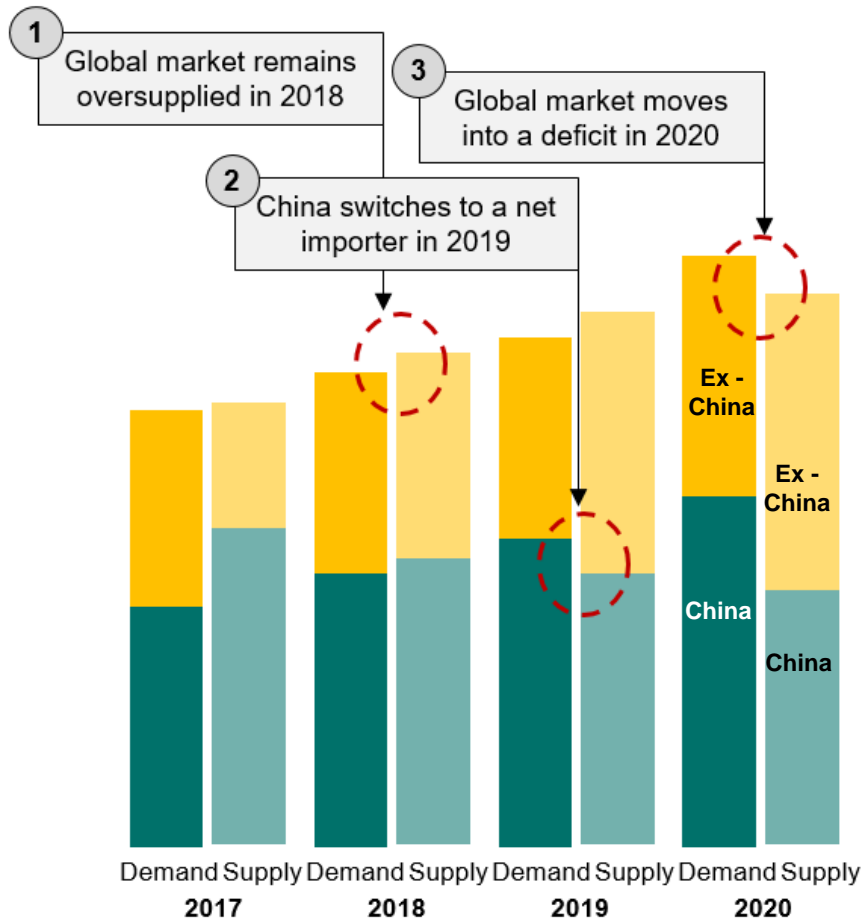
Demand for graphite from the steel sector is strong



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Global flake graphite market balance in transition

Global Natural Flake Graphite Market



Supply

- Majority of incremental global supply is from Syrah Resources before 2021
- China's higher cost supply to rationalise over the coming years due to resource depletion and environmental pressures; stabilises thereafter

Demand

- Almost all incremental demand growth comes from the lithium-ion battery sector
- Other applications such as expandable and shapes are high value per tonne but low volume markets

Trade

- Global trade flows will structurally change as China moves to a net importer in 2019/20 as Chinese anode production grows
- Ex-China users currently sourcing graphite from China will require additional sources of supply

Price

- Syrah expects China's movement from a net exporter to importer to support fines material prices

Battery Anode Material (BAM) Project

BAM Site Louisiana

- Vidalia site purchase to complete in August
- Enabling utilities agreements nearing completion, will facilitate an attractive long term cost base
- Air and water environmental discharge requirements met
- Strong City of Vidalia and community support
- Production of first qualification product targeted by year end, subject to installation timeline and allocation of capital
- Feasibility study for first phase commercial scale BAM plant progressing

Product Development

- Testing of Syrah pilot plant coated spherical graphite in full cells commenced
- Initial results indicate positive performance similar to established Li-ion battery products
- Increased engagement with potential BAM customers for product requirement and development of supply chain cooperation



Vidalia, Louisiana 50,000 square foot industrial building onsite (interior)



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Finance and Corporate

Cash		30 Sep 2018 (Forecast)	30 Jun 2018
Cash at start of period	US\$m	56.7	80.5
Net Movement	US\$m	(17)	(23.8)
Cash at end of period	US\$m	40	56.7

Finance

- Balama forecast to achieve positive cash flows from operations from late 2018
- Timing of BAM major capital expenditure post site finalisation will be made in consideration with the Balama cash flow profile

Corporate

- COO Julio Costa commenced early June – significant expertise in ramp up, operations and turnaround from multiple global mining and processing organisations
- Independent Non-Executive Director, Lisa Bahash appointed - over 30 years automotive (including automotive battery and energy storage systems) experience



Summary

Syrah establishing solid foundation as only major new supplier of graphite to battery market

- Strong health and safety record continues
- Balama detailed improvement plan to improve graphite recoveries and production ramp up volume
- Positive customer product qualification feedback resulting in increased sales volumes
- Strong demand growth for flake graphite, market balance in transition through 2019 - 2020
- Purchase of BAM site in Louisiana nearing completion
- Ongoing testing of Syrah BAM products forms baseline to facilitate market entry
- Disciplined cash spend, timing of BAM major capex spend in conjunction with Balama cash flow profile
- Syrah Resources remains the only major new supplier of graphite to world's battery market

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