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## **BALAMA INCIDENT AND RECTIFICATION UPDATE**

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Syrah Resources Limited (**ASX: SYR**) ("Syrah" or "Company") refers to the trading halt granted by the ASX on 2 October 2018 and provides an update regarding the Balama Graphite Operation following a fire that occurred in the Primary Classifier section of the process plant.

Importantly, no injuries were sustained. The fire was brought under control and extinguished swiftly as a result of the strong operational health, safety and emergency response capability that exists on site.

### **Incident**

- On 1 October Mozambican time, a fire occurred in the Primary Classifier section of the Balama process plant. The Primary Classifier distributes and classifies all milled material from the scrubber prior to flotation.
- The fire was quickly contained by the onsite emergency services team, a root cause investigation was initiated, and rectification works commenced immediately.
- Initial investigation indicates that the fire originated during hot work activities below the unit during planned maintenance on piping.
- Damage was isolated to the Primary Classifier Screening unit and related pipe and electrical cabling (Refer to Appendix for flow sheet extract).
- No structural damage was incurred beyond the unit, and all other sections of the plant were stopped in a planned manner.

### **Rectification and Return to Production**

- The Primary Classifier was rendered inoperable due to the fire.
- Syrah has sourced a new and immediately available replacement Primary Classifier from the Original Equipment Manufacturer in South Africa, as repair of the unit would be less efficient and higher risk than replacement.
- Return to production is expected to take approximately five weeks, including delivery, installation and commissioning.
- Total repair cost including the replacement unit is estimated at US\$0.5 million.
- Options to by-pass the Primary Classifier are being reviewed but are not currently expected to deliver a material production result during the repair period.
- Mining and crushing will continue during the period.
- Warehouse operations, transport from Balama and shipping from Nacala will continue as normal, subject to inventory availability.



- As previously announced, Syrah's Chief Operating Officer and the Balama Leadership Team have introduced a comprehensive production improvement plan which will continue to be implemented and further reinforced following this incident. The focus areas include:
  - Enabling works for recovery improvement, many of which will now be implemented concurrently with the repair works;
  - Rigorous process control optimisation and governance of operating practices; and
  - Comprehensive equipment maintenance, spares and consumables program.

### **Impact on Operations and Sales**

- Syrah estimates a production loss of 30kt in Q4, including allowance for ramp up as the plant comes back online.
- Q4 revised production forecast is approximately 30-35kt. Following nine months' year to date production of 71kt, this results in full year production guidance of 101kt-106kt<sup>1</sup>.
- Exit run rate and C1 cash cost range for December 2018 is not expected to vary materially from previous guidance.
- Syrah is engaging with customers regarding the outage, with only minor impacts expected to the near-term sales profile.
- The overall sales impact will be minimised through the drawdown of existing inventory.
- Cash on hand as at 30 September 2018 was US\$100.3 million (exclusive of Share Purchase Plan funds received) providing sufficient liquidity to manage the incident, and to continue the Company's Balama and Battery Anode Material strategy.

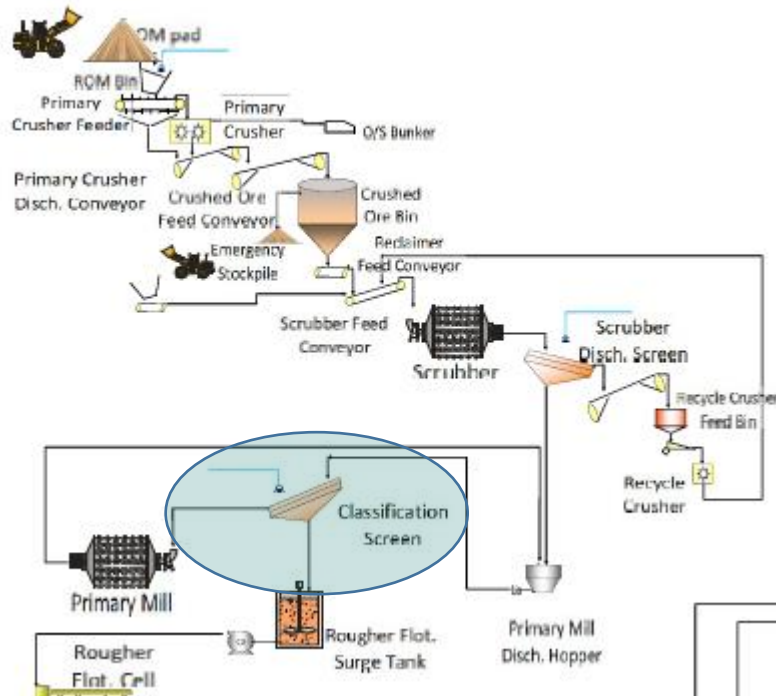
Further updates will be provided with the Company's Quarterly Activities report which will be brought forward to Thursday, 11 October 2018.

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<sup>1</sup> 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, other than as updated in subsequent ASX announcements.



## Appendix: Flow Sheet Extract – Primary Classification Screen



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### About Syrah Resources

Syrah Resources Limited (ASX code: SYR) is an Australian-based industrial minerals and technology company. Syrah has completed construction the Balama Graphite Project (Balama) in Mozambique, with first production of natural flake graphite achieved in November 2017. Balama transitioned to operations with sales and shipments to a global customer base including the battery anode producers, from the start of 2018. 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 developing a downstream Battery Anode Material plant in Louisiana, USA and 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. For further information, visit [www.syrahresources.com.au](http://www.syrahresources.com.au)