



QUARTERLY ACTIVITIES REPORT – PERIOD ENDING 31 DECEMBER 2018

2018 HIGHLIGHTS**Balama Operations**

- Strong health and safety record further improved to Total Recordable Injury Frequency Rate (TRIFR) of 0.3 as at end of 2018.
- Balama established as the world's largest natural graphite producer with >100kt production in the first year of operations.
- Comprehensive production improvement plan delivering results.
- Peak daily design throughput and recovery achieved.
- Production of high grade, low impurity products.
- Mining Agreement finalised with Government of Mozambique.
- Review of 2014 Vanadium Scoping Study completed.

Sales and Marketing

- UAE Marketing & Logistics hub and China Representative Sales Office established.
- Sales contracts and qualification progressed in major regions and end use segments.
- Ongoing spot and term market price discovery achieved; product premium established.
- First major exporter of flake graphite into China.
- Conversion of spot to term sales contracts with volume increasing through the year.
- Improvements in supply chain throughput achieved.

Battery Anode Material Project (BAM)

- Acquired and developed BAM site in Louisiana.
- Installation of 5ktpa milling capacity completed, purification installation underway.
- First production of unpurified spherical graphite using Balama natural flake graphite achieved.
- Testing and benchmarking of Syrah pilot BAM product demonstrated equivalent electrochemical performance to tier 1 competitor products.
- BAM Phase 1 commercial scale feasibility study completed.
- Commercial and strategic industry engagement progressed.



Q4 2018 HEADLINES

Balama Graphite Operation

- Q4 graphite production of 33kt with 104kt for full year 2018, in line with updated guidance with split of fines to coarse flake graphite ~ 80%:20% for the full year.
- Production was impacted by fire damage to the Primary Classifier Unit in October. Production resumed with stable ramp up achieved in early November (refer to ASX announcements 4 Oct and 8 Nov 2018).
- Strong improvement in average graphite recovery to 70% in Q4 versus 53% in Q3 as a result of ongoing production improvement plan with peak daily recovery of 90% achieved.
- Successfully produced 98% fixed carbon graphite in the coarse flake circuit using standard flotation processes (refer to ASX announcement 12 Nov 2018).
- Production in December impacted by some equipment interruption that reduced stability, now resolved.
- Comprehensive production improvement plan continues.
- Engineering consultant review of the 2014 Vanadium Scoping Study¹, indicates attractive financial case warranting further detailed project assessment.

Sales and Marketing

- Sold and shipped 37kt in Q4 versus 20kt in Q3 reflecting improvement in inventory management and supply chain logistics, with record shipment in December. FY18 sales were 73kt, with an additional 20kt sales orders at Nacala awaiting shipment as at 31 December 2018.
- Q4 product weighted realised price slightly lower than Q3 with product mix impacted by higher sales of fines graphite.
- Disconnect of fines pricing between China and ex China pricing continues as market still in surplus. Sales into China must initially compete with ex VAT domestic fines prices and inland logistics costs.
- Improvement in coarse flake prices achieved in Q4 versus Q3 with prices achieved in China and ex China being broadly similar reflecting balanced market.
- Syrah's production performance during the year has impacted fulfilment of existing contracts, with rollover of remaining 2018 contract volumes and prices into 2019.
- Increasing exports into China, with new binding sales agreements for minimum 74kt in 2019 for fines and coarse flake natural graphite, (refer to ASX announcements 7 Nov, 12 Nov and 20 Dec 2018).

**Battery Anode Material (BAM) Project**

- Installation of 5ktpa milling equipment completed and first production of unpurified spherical graphite using Balama natural graphite achieved as planned (refer to ASX announcement 31 Dec 2018).
- Installation of purification equipment for batch processing continuing as per plan for initial production of purified spherical graphite in Q1 2019.
- Phase 1 commercial scale feasibility study for 10ktpa to 40ktpa capacity completed with encouraging results. Further work on capital efficiency and commercial options for anode product alternatives underway for Phase 2.

Finance and Corporate

- Cash on hand of US\$77.1 million as at 31 December 2018 with Q4 net cash outflow of US\$23.2 million.
- Balama's overall operating cost structure developed in line with Syrah's expectations in FY18, although C1 cash operating cost² per tonne exit rate from FY18 higher than plan due to lower December production volumes.
- Share Purchase Plan completed with gross proceeds of US\$6.4 million (A\$9 million) (refer to ASX announcement 16 Oct 2018)
- Commercial production at Balama declared with effect from 1 January 2019 (refer to ASX announcement 14 Jan 2019).

Outlook

- 2019 production strategy and ramp up driven by unit cost reduction and price increase in line with supportive market demand and pricing conditions.
- Q1 2019 production target 45kt – 50kt² with full year 2019 target ~ 250kt² natural graphite subject to market conditions.
- C1 cash operating costs³ trending from US\$550 per tonne towards US\$400 tonne during 2019.
- Q1 2019 weighted average CIF price US\$500– US\$600 per tonne trending upwards.
- Refer to details on further details on page 9.

(1) Refer to ASX announcement 30 July 2014.

(2) 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.

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



BALAMA GRAPHITE OPERATION

Safety

- Further improvement in strong safety record with Total Recordable Injury Frequency Rate (TRIFR) declining to 0.3 as at 31 December 2018 versus 0.8 as at end 2017.

Balama Production Summary

			Q4	Q3	Q4 on Q3
		FY 2018	31 Dec 2018	30 Sep 2018	Change
Material Mined (>9% TGC ¹)	Tonnes ('000)	1,356	416	408	2%
Material Mined (>2% - < 9% TGC ¹)	Tonnes ('000)	478	133	133	-
Waste Mined	Tonnes ('000)	205	29	22	32%
Total Material Moved	Tonnes ('000)	2,039	578	563	3%
Plant Feed	Tonnes ('000)	1,120	252	424	(41)%
Plant Feed Grade	TGC ¹	17%	18%	16%	13%
Recovery		53%	70%	53%	32%
Graphite Produced	Tonnes ('000)	104.2	33.2	38.7	(14)%
Average Fixed Carbon		95%	95%	96%	(1)%

(1) TGC = Total Graphitic Carbon

Production

- Comprehensive production improvement plan initiated by COO (appointed in June) continues with focus areas including maximising recovery and throughput, optimising product mix and grade, critical equipment management, and product handling and logistics.
- Mining activities continued to perform well during the quarter with material moved (>9% TGC, above cut off grade) of 416kt and total material moved of 578kt. Drill and blast activities continued to remove small sections of hard rock material.
- Produced 33kt of graphite in Q4 and 104kt for the full year 2018 in line with updated guidance.
- Production during the quarter was impacted by fire damage to the Primary Classifier Unit resulting in a 5 week outage (refer to ASX announcement 4 Oct 2018).
 - During repair period, Syrah operated a by-pass and brought forward planned maintenance and production optimisation works.
 - Production resumed in early November with ramp up and production stability achieved (refer to ASX announcement 8 Nov 2018).
- Plant peak daily throughput capacity achieved ~ pro-rata 2Mt per annum feed



- Strong improvement in average graphite recovery to 70% in Q4 versus 53% in Q3 as a result of ongoing production improvement plan with peak daily recovery of 90% achieved.
- Successfully produced 98% fixed carbon (FC) grade graphite across all sizes in the coarse flake circuit using standard flotation processes. Product value in use advantages include reduced acid usage and lower environmental footprint (refer to ASX announcement 12 Nov 2018).
- Production in December impacted by some equipment interruption that reduced process stability, now resolved.
- Average FC grade of graphite produced was 95% with a range of 94% to 98% FC.
- Production ratio of fines to coarse flake graphite for FY18 was approximately 80% to 20%.

Vanadium

- Engineering consultant review of the 2014 Vanadium Scoping Study¹ undertaken by Chalieceo concluded:
 - Revised project estimates between 2014 and 2018 likely to result in a higher capital estimate, but lower operating cost estimate than the original study (on a like for like power basis, which assumed grid connection);
 - Substituting diesel power generation for simplicity would lead to higher operating costs than the original study estimate; and
 - Despite the higher capital and operating estimates, financial assessment using a conservative long term price forecast provides an attractive initial financial case, warranting progression to formal Pre Feasibility Study (PFS) stage.
- A number of potential capital reduction and process flow sheet optimisation opportunities were identified during the review, for assessment prior to PFS.
- During the quarter, Syrah commenced sampling of Vanadium content in the Balama proceeding plant circuit in preparation for a metallurgical test work program.

(1) Refer to ASX announcement 30 July 2014.



SALES AND MARKETING

Tonnes ('000)	FY 2018	Q4 2018	Q3 2018	H1 2018
Graphite Sold and Shipped	73	37	20	16
Inventory at Nacala as at end of period (sales orders awaiting shipment)	20	20	19	7
Inventory at Balama/ USA as at end of period	11	11	16	9
Total Annual Production	104			

Customers and Sales

- Reduction of inventory and improvement in supply chain logistics contributed to a stronger quarter for graphite sales and shipments of 37kt in Q4 vs 20kt in Q3 with record shipments in December.
- Additional binding term sales agreements for natural flake graphite announced were:
 - Minimum 48kt in 2019 with additional 12kt at Syrah's option to Qingdao Langrute Graphite Co. Ltd (refer to ASX announcement 20 Dec 2018);
 - 6kt coarse flake to Qingdao Freyr Graphite Co., Ltd over 12 months (refer to ASX announcement 12 Nov 2018); and
 - 20kt by 31 August 2019 to Qingdao Taida-Huarun New Energy Technology Co. Ltd (refer to ASX announcement 7 Nov 2018).
- Additional contracts continued to be finalised during the quarter including first spot sale of 98% fixed carbon coarse flake graphite (refer to ASX announcement 12 Nov 2018).
- Syrah's production performance during the year has impacted fulfilment of existing contracts, with rollover of remaining 2018 contract volumes and prices into 2019.
- Ongoing customer engagement with battery manufacturers and increase in inbound customer enquiries.

Logistics

- Supply chain performance improvement actions continuing as volumes increase.
- Significant increases achieved in road transport dispatch and container port receipts.
- Balama warehouse structure and process review undertaken, with Balama site inventory reduction achieved.

**Pricing**

- Q4 product weighted realised price slightly lower than Q3 with product mix impacted by higher sales of fines graphite, however overall prices for coarse flake improved.
- Range of prices achieved (CIF ex Nacala) in 2018 demonstrated variations driven by grade, flake size, qualification shipments, product mix, market entry and China domestic versus ex China pricing.
 - Current fines price achieved by Syrah continues to be influenced by China's domestic market fundamentals (domestic supply and demand balance relative to the international balance at any given point in time), as well as VAT and inland logistic costs.
 - Current prices for coarse material reflected in both the China domestic and international markets.
 - No centrally accepted clearing price or price index.
- Demonstrated grade premium achieved for higher fixed carbon (FC) content.

General Market Update

- In Jan-Nov 2018 (YTD), global steel production grew by +4.8%. Global capacity utilisation to the end of Q3 remained strong at ~75%.
- In Jan-Nov 2018 (YTD), global passenger electric vehicle sales were 1.7 million (+68% YoY). China accounted for 53% of YTD sales (906,000 units, +80% YoY), with the market on track to reach approximately 2.0 million units for CY2018.
- In Jan-Nov 2018 (YTD), total passenger EV battery sales were 58GWh (+82% YoY), including record monthly sales of 9GWh in Nov (+125% YoY).
- Syrah estimates that the natural flake and fines graphite market grew by approximately 70kt in 2018 to 745kt.
- Lithium-ion battery supply chain build out continuing including new plants announced in USA by Daimler and SK Innovation.

BATTERY ANODE MATERIAL (BAM)**BAM Site Louisiana**

- Installation of 5ktpa milling equipment completed on schedule with initial production of unpurified spherical graphite from Balama natural graphite, as planned (refer to ASX announcement 31 Dec 2018 and Appendix 1 for images).
- Initial production capacity at Vidalia focussed on customer qualification which only requires small volumes.
- First customer qualification product was dispatched in mid January 2019.



- Installation of purification equipment for batch processing continuing as per plan for initial production of purified spherical graphite in Q1 2019.

Commercial Plant Feasibility

- Phase 1 commercial scale feasibility study for 10ktpa to 40ktpa capacity completed.
- Capital efficiency options under review for coating, carbonisation and graphitisation for Phase 2.
- Increased customer engagement underway providing input into detailed product specification, and pursuing development of underpinning future commitments.

FINANCE AND CORPORATE

Finance

- Cash on hand as at 31 Dec 2018 was US\$77.1 million versus US\$100.3 million as at 30 Sep 2018.
- Share Placement Plan (SPP) completed with gross proceeds of US\$6.4 million (A\$9.0 million) (refer to ASX announcement 16 Oct 2018).
- Net cash outflow including the SPP proceeds was US\$23.2 million. Other movements included:
 - US\$20.9 million on production ramp up activities and sustaining capital projects net of sales receipts and a VAT refund of US\$5.5 million.
 - US\$5.5 million on BAM plant construction and ongoing product research and development activities
 - US\$1.3 million for the Balama Environmental Bond; and
 - US\$1.9 million on general corporate and administration activities net of interest income and exchange differences.
- Balama cash flows impacted by the slower than expected realisation of working capital with improved sales volumes occurring later than planned, and impact of operational performance.
- Balama's overall operating cost structure developed in line with Syrah's expectations in FY18, although C1 cash operating cost¹ per tonne exit rate from FY18 higher than plan due to lower December production volumes.
- Sustaining capital expenditure for 2018 was US\$4.0 million.
- Commercial production declared at Balama as at 1 January 2019 (refer to ASX announcement 14 Jan 2019). All revenues and operating costs will be reported to the Income Statement from this date.

Corporate

- Stefano Giorgini resigned as Non- Executive Director (refer to ASX announcement 7 Dec 2018) and the Company is actively recruiting a new Non Executive Director

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



2019 OUTLOOK

Opportunities

- Production and supply chain progress demonstrate capacity and full design potential available – consistency and stability pursued through continuation of ramp up.
- Finalise qualification product into remaining customers and further increase contract volumes.
- Recent customer feedback and inbound engagement highlight the potential for material increase in demand for Syrah's high quality natural graphite product.
- BAM customer interaction continues to highlight strategic potential.
- Review of 2014 Vanadium scoping study completed.

2019 production strategy and ramp up driven by unit cost reduction and price increase in line with supportive market demand and pricing conditions.

Balama Graphite Operation	
Outlook	Enablers
<ul style="list-style-type: none"> • Q1 2019 production 45kt-50kt¹ • FY 2019 production target ~ 250kt¹ subject to market conditions¹ • Recovery trending towards medium term target of 88% • Fines:Coarse flake ratio trending towards medium term target 70%:30% • Product fixed carbon (FC) grade 95% with targeted campaigns for 96% - 98% FC during 2019 • C1 cash operating costs² trending from ~US\$550 per tonne towards ~US\$400 per tonne over 2019 	<ul style="list-style-type: none"> • Production ramp up towards 250ktpa driven by market fundamentals, appropriate pricing margins achieved and ongoing production improvement plan • Production ratio of fines to coarse flake graphite is expected to normalise towards 70% to 30% split respectively • Comprehensive production improvement plan continues with focus on maximising recovery and optimising throughput, optimising product mix and grade, critical equipment management and, product handling and logistics



Natural Flake Graphite Weighted Average Prices	
Outlook	Further Price Enablers
<ul style="list-style-type: none"> Q1 and Q2 2019 weighted average CIF price ~US\$500-600 per tonne and trending higher Higher pricing to be achieved as; <ul style="list-style-type: none"> Production mix of fines to coarse flake improves with higher proportion of coarse flake produced Contracts carried over from 2018 are fulfilled and replaced by higher priced sales agreements Further diversification of sales book ex China Medium term price >US\$600 per tonne with further price enablers 	<ul style="list-style-type: none"> Continued higher selling prices expected from a price premium reflecting cost differential and value in use, demonstration of Syrah's reliability China fines pricing expected to improve as China transitions from net exporter to net importer over the next two years Supply chain performance improvement actions with third parties are continuing as production volumes increase with further improvements expected supporting increased sales and shipping volumes

Battery Anode Material (BAM) Project

- Phase 1 commercial scale feasibility capital efficiency review underway.
- Improvement of project's financial return through aligning product options with customer development plans.
- Continue to assess strategic relationship options in downstream production (particularly high temperature treatment).
- Focus on unpurified and purified spherical graphite production to achieve customer qualification and further product development.
- Based on the results of the benchmarking work concluded earlier in 2018 and typical customer qualification periods, Syrah is targeting first sale of precursor (unpurified and purified spherical graphite) in 2H19.

**Vanadium Project (1H19)**

- Sampling and analysis of vanadium content within the graphite processing circuit in preparation for metallurgical test work.
- Assessment of capital reduction and flow sheet optimisation opportunities prior to pre-feasibility.
- Commercial and strategic engagement with Vanadium industry participants regarding development and financing options.

Finance

- Q1 2019 Group net cash outflow ~\$US20m includes US\$8 million BAM capital expenditure.
- Group net cash outflow expected to be lower in Q2 2019 versus Q1 2019, as Balama forecast to be operating cash positive and BAM capital spend is lower.
- Sustaining capital expenditure in 2019 forecast to be US\$10-US\$15 million, including preparatory works for construction of Tailing Storage Facility (TSF) Cell 2.
- Detailed review of costs and operating parameters completed with identified potential cost savings.

(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, other than as updated in subsequent ASX announcements.

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



SUSTAINABILITY

Health

- Malaria screening program implemented to proactively identify low parasitemic individuals not yet presenting with malaria symptoms. During the quarter ~2,900 employees and contractors were screened with 130 malaria cases averted with 84 work days recovered.
- Monthly monitoring of occupational hygiene (e.g noise, dust, heat) in particular for personnel with potential higher workplace exposure risks well within International Exposure Standards prescribed by the American Conference of Governmental Industrial Hygienists (ACGIH).

Environment

- The Environmental Monitoring Program continued in line with over 200 license conditions, with zero significant environmental incidents in 2018.
- Native seedlings from the Balama Nursery were donated to local stakeholders as part of Syrah's Reforestation Project and Livelihood Restoration Program.
- US\$1.3 million was paid into the Balama environmental bond for the current end of life mine closure and rehabilitation plan. The total environmental bond balance of US\$3.8 million will increase to US\$6.2 million over time.

People and Community

- As at the end of the year 96% of Balama's direct employees are Mozambican nationals with 55% from the local host communities.
- Balama Professional Training Centre construction completed as planned, with enrolment and induction of initial students in December.
- Livelihood Restoration Program in progress with agricultural training and construction of grain storage facilities largely complete.
- Sixteen groundwater boreholes were drilled during the quarter to provide improved water security for the Balama hosts communities.
- Donations from Balama employees were used to provide food for families from the local host communities who were in need over the seasonal festive period.

For further news and sustainability updates, please refer to:

<http://www.syrahresources.com.au/sustainability>



LICENSES

The following table lists the current licenses held by Syrah Resources Limited and its subsidiaries as at 31 December 2018:

Project	License Number	License Type	Country	Interest acquired/farm-in during the quarter	Interest disposed/farm-out during the quarter
Balama	6432C	Mining Concession	Mozambique	-	-
Balama ¹	5684L	Exploration	Mozambique	-	-
Balama ¹	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.

APPENDIX 1: Battery Anode Material Site, Louisiana



First shipment of Balama graphite arrived on site for initial production of unpurified spherical graphite



Milled spherical graphite for customer qualification



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. 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. For further information, visit www.syrahresources.com.au

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 2018

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development ⁽¹⁾	(21,165)	(78,054)
(c) production	-	-
(d) staff costs ⁽²⁾	(6,153)	(23,871)
(e) administration and corporate costs	(678)	(3,116)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	217	1,094
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(27,779)	(103,947)

⁽¹⁾ All commissioning and production ramp-up costs incurred at Balama, net of any revenue derived from the sale of graphite, prior to the declaration of commercial production are capitalized against project development costs.

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

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(3)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
	(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	(1,248)	(1,248)
2.6	Net cash from / (used in) investing activities	(1,248)	(1,251)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	6,379 ⁽¹⁾	73,786
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(213)	(2,370)
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)	-	-
3.10	Net cash from / (used in) financing activities	6,166	71,416

⁽¹⁾ Proceeds from Share Purchase Plan completed on 16 October 2018, raising A\$9 million from issue of 4.0 million ordinary shares at \$A2.23 per share.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	100,319	111,899
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(27,779)	(103,947)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,248)	(1,251)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,166	71,416
4.5	Effect of movement in exchange rates on cash held	(311)	(970)
4.6	Cash and cash equivalents at end of period	77,147	77,147

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1 Bank balances	8,131	12,747
5.2 Call deposits	69,016	87,572
5.3 Bank overdrafts	-	-
5.4 Other – Security deposits	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	77,147	100,319

6. Payments to directors of the entity and their associates

	Current quarter US\$'000
6.1 Aggregate amount of payments to these parties included in item 1.2	697
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	

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 2018, including amounts paid to Cadenza Innovation Inc., a related party of Christina Lampe-Onnerud (Non-Executive Director), as part of the Technology Development and Services agreement (refer ASX announcement dated 31 July 2017); and 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

	Current quarter US\$'000
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	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
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.		
N/A		

9. Estimated cash outflows for next quarter	US\$'000
9.1 Exploration and evaluation	-
9.2 Development ⁽¹⁾	12,200
9.3 Production ⁽²⁾	1,200
9.4 Staff costs ⁽³⁾	6,000
9.5 Administration and corporate costs	1,000
9.6 Other	-
9.7 Total estimated cash outflows	20,400

- ⁽¹⁾ 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.
- ⁽²⁾ 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.
- ⁽³⁾ Includes staff costs in relation to the Balama Graphite Operation, BAM Project and Corporate & Administration functions

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	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

Mining exploration entity and oil and gas exploration entity quarterly report

- 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.

Date: 30 January 2019

Print name: Jennifer Currie

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.