3 August 2023

Natural graphite offtake and marketing strategy

Highlights

- **Syrah enhances its sales strategy to improve stability of Balama production and sales**
- **Extended USA supply chain support through binding offtake agreements for Balama natural graphite with Graphex and Westwater**
- **Geographic diversification in natural graphite sales to active anode material ("AAM") and battery markets in place from 2024, and targeting 100ktpa Balama fines sales to third-party AAM customers ex-China from 2026**
- **Further Balama natural graphite commercial supply arrangements being negotiated with ex-China anode processing and downstream companies.**

Syrah Resources Limited (ASX: SYR) ("Syrah" or the "Company") is pleased to announce commencement of its natural graphite sales diversification strategy, executing multi-year binding offtake agreements with developing spherical graphite and anode processing customers in the USA. These agreements for supply of natural graphite from Balama Graphite Operations ("Balama") in Mozambique to AAM processing facilities in the USA are aligned with the Company's marketing strategy to transition Balama natural graphite sales to a more geographically diversified and commercially aligned customer base.

Natural graphite offtake agreements

Syrah has executed binding offtake agreements with:

- Graphex Technologies, LLC, a US incorporated and wholly-owned subsidiary of Graphex Group Limited (NYSE American: GRFX | HKSE: 6128) (collectively "Graphex"); and
- Westwater Resources, Inc. (NYSE American: WWR) ("Westwater"),

for Balama natural graphite to be supplied to AAM processing facilities being developed in the USA. Both offtake agreements are for multi-year terms, with a market-based pricing mechanism and with options for escalating volumes from 2024 subject to achievement of project and operational milestones.

Graphex is a multinational mid-stream processor of graphite anode materials for use in lithium-ion batteries. The company has produced 10ktpa of purified spherical graphite from anode processing facilities in China since 2018 and intends to expand its overall anode production capacity to 55ktpa from facilities in China and North America over the next three years. Graphex is constructing an AAM processing facility in Warren, Michigan with an initial production capacity of 15ktpa AAM to supply North American battery manufacturers and OEMs. This facility is planned to be operational in 2024. The company is also evaluating additional anode processing facilities in multiple locations in the USA and Canada.

Westwater is constructing an AAM processing facility in Kellyton, Alabama which is planned to be operational in 2024. Westwater's AAM processing facility has the potential to be expanded to a production capacity of above 40kt AAM later this decade.

The scale and pace of lithium-ion battery manufacturing capacity development and forecast growth in AAM demand over the medium-term in North America is significant. Consequently, investment in, and development of, proportionate localised AAM production capacity that is considerably greater than the currently planned capacity of Syrah's Vidalia AAM facility ("Vidalia") is required. Supplying Balama natural graphite to both integrated and third-party AAM processing facilities in the USA is expected to provide optimal commercial outcomes for Syrah and to not impact Vidalia's value position as well as its first mover advantage.

Medium-term Balama marketing strategy

USA and European demand for diversification of AAM sourcing to mitigate geopolitical risk, reduce sole reliance on China, and achieve financial incentives from Government policy programs is accelerating. To meet such demand there is a growing pipeline of ex-China merchant (non-integrated) natural graphite AAM facilities seeking long-term supply of ex-China natural graphite feed to underpin investment in capital intensive development. These AAM facility projects are in various stages of progress in the US, South Korea, Europe, Indonesia, India and Africa, and will result in greater demand for fines natural graphite in new markets in future years.

Furthermore, there is increasing interest from battery manufacturers and auto OEMs in directly contracting sustainable upstream supply of ex-China natural graphite to direct through anode processing partners.

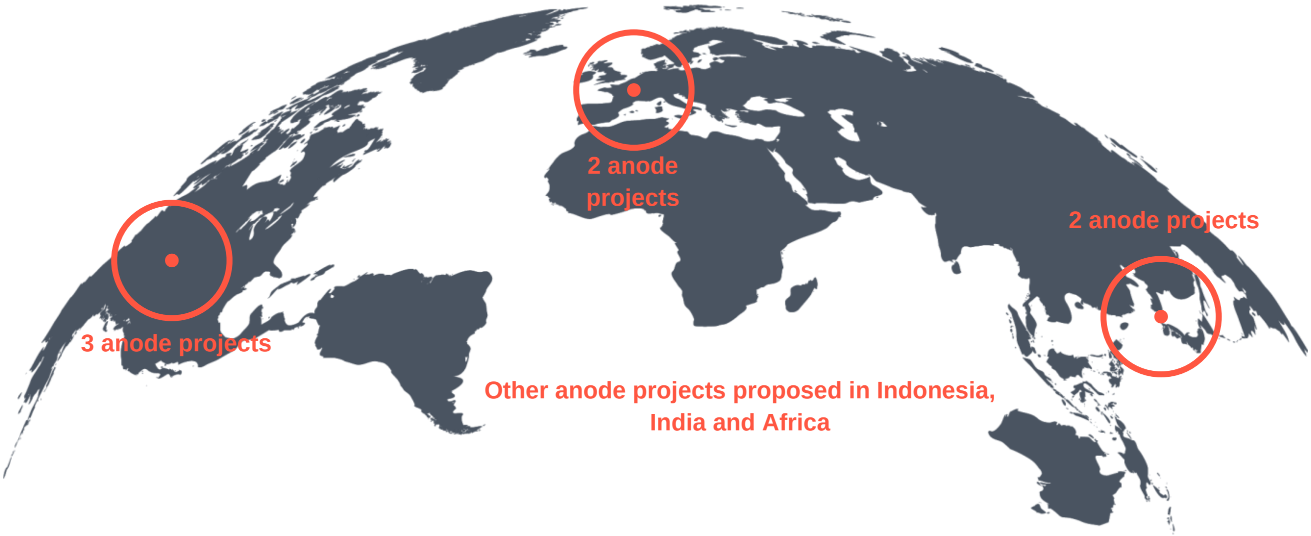

Figure 1: Ex-China natural graphite anode processing hubs.

Syrah is uniquely positioned to supply battery supply chain customers outside of China as a large-scale producer of high-quality and qualified natural graphite products with a materially lower expected emissions intensity (Global Warming Potential) compared with alternative natural graphite products from a benchmarked supply route in China[1]. Furthermore, the use of Balama natural graphite in batteries can assist battery manufacturers supplying electric vehicle OEMs eligibility for the Section 30D clean vehicle credit under the US Inflation Reduction Act. Electric vehicles that use natural graphite produced in China is likely to be disqualified for the Section 30D clean vehicle credit, irrespective of where or by which entity value-add processing of such natural graphite is undertaken.

Syrah's marketing and sales strategy will balance integrated consumption through Vidalia, an increasing proportion of sales volume ex-China from 2024 onward, and sales volumes to China. The Company is targeting at least 100ktpa Balama fines sales to third-party customers in ex-China battery supply chains from 2026, which will further support higher capacity utilisation of Balama and generate superior commercial outcomes for natural graphite sales.

Syrah has signed several non-binding agreements and is negotiating additional binding commercial arrangements for further ex-China supply of Balama natural graphite with potential anode processing, battery manufacturing and auto OEM customers.

[1] Source: Minviro Ltd's lifecycle assessment on Syrah. Note: GWP is defined as the cumulative radiative forcing, both direct and indirect effects, over a specified time horizon resulting from the emission of a unit mass of gas related to some reference gas [CO2: (IPCC 1996)]. Based on GWP for a forecast life of operation average for Balama (full natural graphite production) and include scope 1, scope 2 and scope 3 greenhouse gas emissions. Syrah's LCA meets the requirements of ISO14040/14044 standards and has been critically reviewed by a third-party.

This release was authorised on behalf of the Syrah Board by

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About Syrah

Syrah (ASX code: SYR) is an Australian Securities Exchange listed industrial minerals and technology company with its flagship Balama Graphite Operation in Mozambique and a downstream Active Anode Material Facility in the United States. Syrah's vision is to be the world's leading supplier of superior quality graphite and anode material products, working closely with customers and the supply chain to add value in battery and industrial markets.

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. 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 document 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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