

20 July 2023

QUARTERLY ACTIVITIES REPORT

QUARTER ENDING 30 JUNE 2023

Sarytogan Graphite Limited (ASX: SGA, "the Company" or "Sarytogan") is pleased to present the Quarterly Activities Report for the Quarter Ending 30 June 2023.

Highlights

- Commencement of a Pre-Feasibility Study (PFS) for the Sarytogan Graphite Project.
- Land access agreement signed.
- Geotechnical and hydrogeological drilling at Sarytogan.
- Doubling of bulk flotation test work effort at labs in Australia and Germany.
- Planning for further purification, spheroidization, and battery testing of bulk flotation concentrate.
- Maiden drilling underway to at the Kenesar Graphite Exploration Project to test Electromagnetic (EM) anomalies identified during the quarter.
- \$5M Capital Raising (before costs) successfully completed, giving a cash balance of \$7.8M at the end of the quarter.



Figure 1 – Geotechnical Drilling at the Sarytogan Graphite Deposit, Central Kazakhstan.

Sarytogan Managing Director, Sean Gregory commented:

"The June 2023 quarter has seen the commencement of the Pre-Feasibility Study on the giant and exceptionally high grade Sarytogan Graphite Deposit in Central Kazakhstan. This has included support studies in multiple technical disciplines and drilling on site. Active graphite exploration at Kenesar adds an exciting element. However, all eyes will be on the bulk flotation concentrate production in quarter three and the further purification, spheroidization, and battery anode testing that this will enable."

Commencement of Pre-Feasibility Study

Global Engineering Houses GR Engineering Services (UK) and Snowden Optiro have been selected as the PFS Process Engineer and Mining Engineer respectively. Both firms are of renown standing, have a global presence and relevant experience in graphite projects. Supporting studies are being undertaken by Knight Piesold (tailings), and Lone Star Tech Minerals (marketing).

Important trade-off studies have commenced, considering different project sizes, locations, and flowsheets.

Proposed Mine Layout

As part of the estimation of the **229Mt @ 28.9% TGC** Mineral Resource, a preliminary pit optimisation confirmed "reasonable prospects for future economic extraction" for the entire Mineral Resource (Table 3, refer ASX Announcement 27 March 2023). However, the size of this Mineral Resource is far larger than an initial mine development at Sarytogan will require. As such Snowden Optiro completed a pit optimisation that only focused on the very highest-value part of the Indicated Mineral Resource. This enabled two initial mining areas to be selected for the PFS (Figure 2); one in the Northern Graphite Zone (NGZ) and one in the Central Graphite Zone (CGZ). A first pass mining schedule has been run for these mining areas and a preferred location of a valley-fill tailings storage facility has been selected.

Geotechnical and Hydrogeological Drilling

Drilling of diamond drill holes to collect geotechnical data to inform pit designs to support the PFS is well advanced (Figure 1). As at the end of the quarter, 4 holes for 230m have been completed in the NGZ. Drilling is now progressing in the CGZ, where a further 4 holes are planned.

Drilling has also been completed for hydrogeological investigations. One dewatering test bore was installed in the middle of each of the initial mining areas. The graphitic shales were found to be tight aquifers. For full scale processing operations, additional water will be sourced from an alluvial channel above a fractured rock aquifer that runs from 4km north of the project to 18km to the north-west. Good quality fresh water was intercepted in 3 water exploration bores and pump testing has indicated strong flow rates. Modelling will be conducted to demonstrate the feasibility of a future bore field in this aquifer for the project.

Land Access Agreement

www.sarytogan graphite.com

Bulk Flotation Concentrate Production

Following the breakthrough 99.87% carbon purity result previously announced (refer ASX announcement 6 December 2022), bulk flotation concentrate production was identified as the critical step to provide the feedstock for further purification and spheroidization.

The successful grinding and flotation steps for the project were first demonstrated by Australian laboratory Independent Metallurgical Operations Pty Ltd (IMO). They were since replicated by German laboratory Pro-Graphite GmbH (Pro-Graphite), with guidance and advice from IMO. Pro-Graphite subsequently went on to achieve the breakthrough 99.87% carbon purity.

As IMO were unavailable for bulk flotation concentrate production earlier this year, this scope was awarded to a second German lab, UVR-FIA GmbH (UVR-FIA), with available capacity. Like Pro-Graphite, UVR-FIA has required guidance and advice from IMO in the grinding and flotation methods for micro-crystalline graphite. This is continuing.

In the meantime, and to mitigate any impact to the overall project schedule, a second bulk flotation concentrate production run has been ordered with IMO at their first available time slot in Quarter 3, 2023.

Titanium Removal

Titanium, present as the mineral rutile, has been identified as the main remaining diluent to be removed to achieve the standard 99.95% carbon purity for battery anodes (refer ASX Announcement 6 June 2023). Rutile has a specific gravity of 4.2, which is significantly heavier than graphite's specific gravity of 2.3 g/cm³. As such, gravity separation is expected to be successful in removing the titanium and other minor heavy metals. IMO have identified the Falcon Ultra-Fine Classifier, a device commonly used in gravity separation of gold, as being most suitable to remove the titanium from the micro-crystalline Sarytogan Graphite. As soon as bulk flotation concentrate is available the gravity separation will be conducted by IMO (Table 1).







Mining	Grinding & Flotation	Gravity Separation	Alkaline Roasting	Spheroidization	Acid Purification
					
229Mt @ 28.9% TGC ¹	84% TGC ²	Titanium Removal	99.7% TGC ²	Milling & Shaping	99.87% TGC ²
Targeted Products	Micronized >80% C		Micronized >99% C		Spheroidized >99.95% C
Uses	Traditional Uses: Refractories, Engineered Products, Lubricants, Polymers, Plastics, Rubber, Steel, Foundry			Battery Anodes	

Table 1 - Sarytogan Base Case Process Flow and Targeted Products. Refer ASX Announcements: ¹ 27/3/23 for Indicated and Inferred Mineral Resource, ² 6/12/22 for Metallurgy Results.

Chemical Purification, Spheroidization, and Battery Testing

The bulk flotation concentrate will then be sent to Pro-Graphite for chemical purification, spheroidization, and battery testing. The overall schedule to deliver battery testing results for spheroidized Sarytogan Graphite remains on schedule for Q4 this calendar year.

Alternative Thermal Purification Flowsheet

A PFS should consider several alternative options to select the best options to carry forward into further detailed engineering studies. As such, Sarytogan will also test the thermal purification flowsheet.

Thermal purification of graphite is a well-established process that is known to sublime almost all diluents at temperatures of 2,000 to 3,000 degrees Celsius. Typically, the carbon grades achieved far exceed battery specifications that may be suitable for additional advanced materials uses.

Proposals from two international laboratories have been received. Small samples of Sarytogan graphite concentrates have been dispatched to one laboratory, and larger quantities from the bulk flotation concentrates will be reserved for larger scale thermal purification tests later this year.

Kenesar Graphite Exploration Project

The ground based TDEM survey was completed during the quarter at Kenesar, located in Akmola Province, northern Kazakhstan (Figure 4).

EM anomalies have been identified that persist from fence to fence parallel to the known strike of the geological formations and structures associated with the regionally metamorphosed fold and thrust belt at the southern margin of the Kokshetau shield. The EM anomalies are interpreted to represent richer graphitic layers within the graphitic schist under shallow cover.

Subsequent to quarter end, a 4,000m first-pass drilling campaign has commenced at Kensesar. As the extent of the EM anomalies and target formation is vast, the first pass drilling will consist of fences at a broad spacing of about 5km with shallow drill holes approximately every 50-100m. The low-cost water-core drilling method selected will penetrate through the shallow cover and into the upper few meters of the target formation bedrock. The samples from the base-of-hole will be logged for geology and assayed for total graphitic carbon.

The area is under broadacre crop and access agreements have been signed with several of the local farmers. The first-pass drilling fences can be drilled now and have been selected to minimise the interaction with farming. Follow-up drilling later in the summer can be more extensive after the annual harvest.

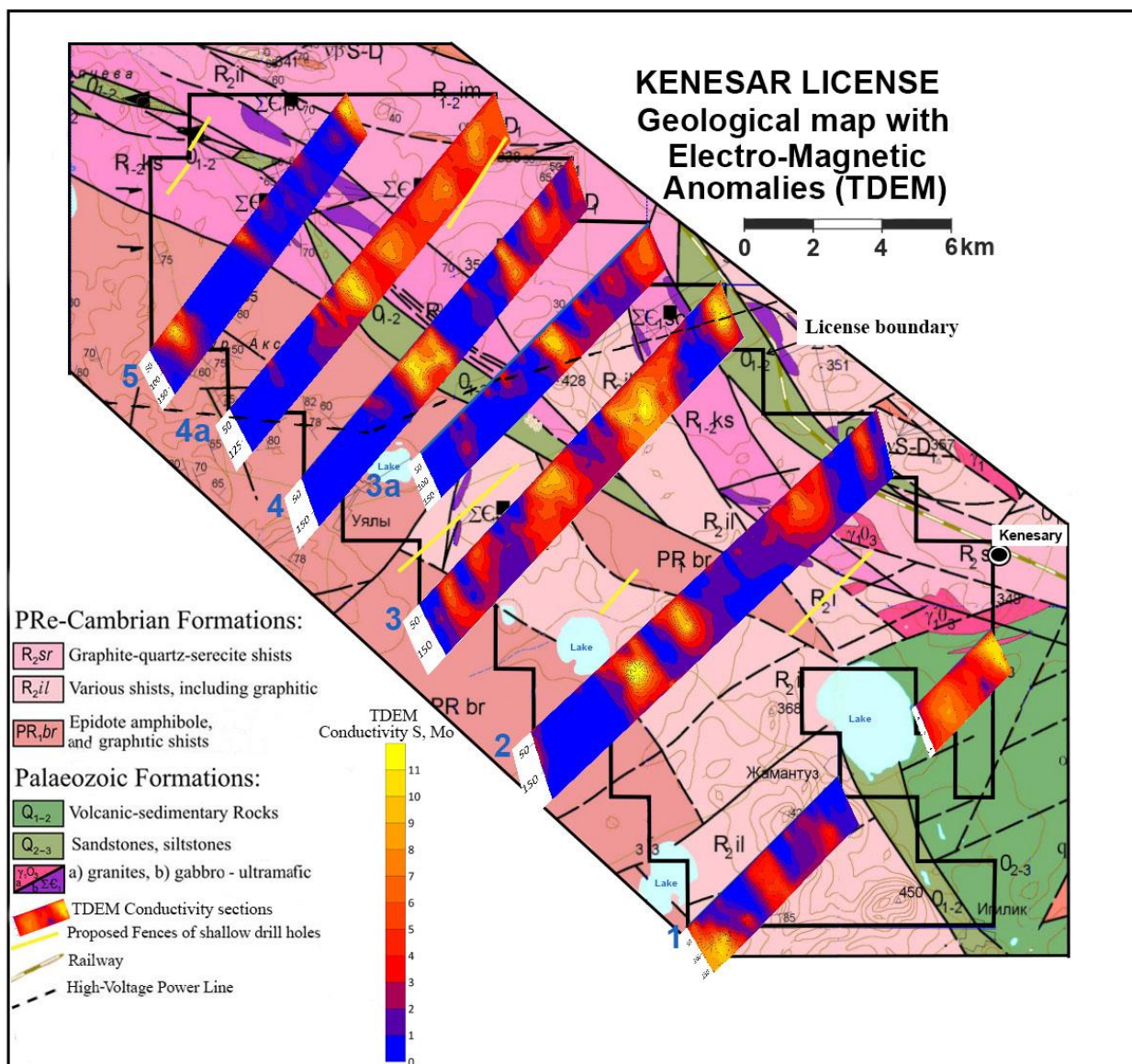


Figure 3 – TDEM survey fences showing rock conductivity.

Corporate

On 5th April 2023, the company announced a placement for 15,151,515 ordinary fully paid shares at 33 cents each to raise A\$5,000,000 (before expenses of the offer) from sophisticated investors pursuant to s708 Corporations Act (cwth) 2001 ("Placement").

The Placement was jointly led by Inyati Capital and RM Corporate Finance who have been paid a 6% fee and have been issued a total of 1,515,151 unlisted options exercisable at 49.5c and expiring 14 April 2023. The Placement shares and the Broker options were issued pursuant to the Company's 15% placement capacity pursuant to ASX LR 7.1.

As at quarter end on 30 June 2023, the Company had \$7.8M in cash reserves.

The funds will be used for the ongoing development programs at the Sarytogan Graphite Deposit, including the PFS, as well as exploration at Kenesar, and general working capital.

An EGM has been convened for Tuesday 1 August to refresh the placement capacity, approve the issue of the broker options, and consider the issue of management performance rights and options.

The Company provides the following information pursuant to ASX Listing Rule requirements:

1. ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure spend during the quarter was \$628,000 materially comprising drilling, assay and metallurgical expenses.
2. ASX Listing Rule 5.3.2: There were no substantive mining production and development activities during the quarter.
3. ASX Listing Rule 5.3.3:
 - a. The Sarytogan Graphite Deposit exploration licence 1139-R-TPI (1139-P-ТПИ) was issued to Ushtogan LLP on 14/08/2018 and confirmed by 5406-TPI (5406-ТПИ) contract on 26/10/2018. The contract was extended in June 2022 for a further 3 years to June 2025. The exploration concession covers 70 km². There was no change to the Company's 100% interest in the licence since the last quarter.
 - b. The Kenesar Graphite Exploration Project exploration licence 1968-EL was issued to Ushtogan LLP on 28/02/2023 for a period of six years to February 2029. The exploration concession covers 150 graticular blocks or 309km².
4. ASX Listing Rule 5.3.4: the progress towards spending the funds relative to the proposed use of funds (ie. what is set out in Section 6(e) of the SGA supplementary prospectus and any material variance between anticipated expenditure and actual expenditure is set out in Table 2.
5. ASX Listing Rule 5.3.5: Payment to related parties of the Company and their associates during the quarter as set out in Section 6.1 of the attached Appendix 5B relate to director salaries and fees in the quarter.

Table 2 - Reconciliation of expenditure to date vs that projected in the Company's Supplementary Prospectus.

IPO allocation of funds	Projected Amount (A\$)	Actual expenditure to date (A\$)
Drilling	2,200,000	832,905
Assays	550,000	290,262
Metallurgical Testwork	500,000	286,544
Consulting Fees	550,000	141,320
Scoping, Pre-Feasibility Studies	450,000	145,288
Environmental Studies	150,000	21,210
Transportation	175,000	141,021
Equipment	150,000	213,173
Working Capital & Wages	1,354,627	1,298,355
Accommodation and Storage	250,000	38,232
Administration	450,000	661,202
New tenement (Kenesar)	0	187,713
Taxes	300,000	113,906
Working Capital Loan Repayment	839,187	836,995
Brokerage	519,572	536,754
Accrued administration costs (unpaid director fees)	317,008	290,548
Expenses of the Offer	75,000	90,000
Total	8,830,394	6,125,425

Next Steps

Results from the first pass drilling at Kenesar will be announced when they are available later this quarter.

The Bulk Flotation Concentrate production will shortly commence at IMO in Australia, which will enable further purification, spheroidization and battery testing.

The PFS for the Sarytogan Graphite Project will continue to ramp up with completion scheduled in 2024.

This announcement is authorised by the Board of Directors of the Company.

Sean Gregory

Managing Director

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About Sarytogan

The Sarytogan Graphite Deposit is in the Karaganda region of Central Kazakhstan. It is 190km by highway from the industrial city of Karaganda, the 4th largest city in Kazakhstan (Figure 4).



Figure 4 - Sarytogan Graphite Deposit and Kenesar Graphite Exploration Project locations.

The Sarytogan Graphite Deposit was first explored during the Soviet era in the 1980s with sampling by trenching and diamond drilling. Sarytogan's 100% owned subsidiary Ushtogan LLP resumed exploration in 2018. An Indicated and Inferred Mineral Resource has recently been estimated for the project by AMC Consultants totalling 229Mt @ 28.9% TGC (Table 3, refer ASX Announcement 27 March 2023). Sarytogan has upgraded the mineralisation to 99.87% purity by flotation, alkali roasting, and chemical purification (refer ASX Announcement 6 December 2022) and has commenced a PFS as part of its strategy to supply high-quality anode pre-cursor material for the rapidly growing electric vehicle battery market.

The Company is also exploring the recently pegged and highly prospective 309 km² Kenesar Graphite Exploration Project in northern Kazakhstan (Figure 4).

Table 3 - Sarytogan Graphite Deposit Mineral Resource (> 15% TGC).

Zone	Classification (JORC Code)	In-Situ Tonnage (Mt)	Total Graphitic Carbon (TGC %)	Contained Graphite (Mt)
North	Indicated	87	29.1	25
	Inferred	81	29.6	24
	Total	168	29.3	49
Central	Indicated	39	28.1	11
	Inferred	21	26.9	6
	Total	60	27.7	17
Total	Indicated	126	28.8	36
	Inferred	103	29.1	30
	Total	229	28.9	66

Compliance Statement

The information in this report that relates to Exploration Results is cross referenced to the relevant announcements in the text. These reports are available at www.asx.com.au. The information in this report that relates to Sarytogan Mineral Resources was first reported in ASX announcement dated 27 March 2023.

The Company confirms that it is not aware of any new information or data that materially affects the information included in relevant market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

Appendix 5B
Mining exploration entity and oil and gas exploration entity
quarterly report

Name of entity

SARYTOGAN GRAPHITE LIMITED

ABN

Quarter ended ("current quarter")

91 107 920 945

30/06/2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(192)	(1,189)
(f) administration and corporate costs	(275)	(1,205)
1.3 Dividends received (see note 3)		-
1.4 Interest received	26	75
1.5 Interest and other costs of finance paid	0	(37)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST refund)	0	84
1.9 Net cash from / (used in) operating activities	(440)	(2,272)

2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	0	0
(d) exploration & evaluation (if capitalised)	(685)	(2,382)
(e) investments	0	0
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) investments		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(685)	(2,382)

3.0	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,000	13,660
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	0	23
3.4	Transaction costs related to issues of equity securities, convertible debt securities	-340	-974
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	-800
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	4,660	11,909

4.0	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,215	481
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(440)	(2,272)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(685)	(2,382)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,660	11,909
4.5	Effect of movement in exchange rates on cash held	21	35
4.6	Cash and cash equivalents at end of period	7,772	7,772

5.0	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	1,772	1,772
5.2	Call deposits	6,000	3,000
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,772	4,772

6.0	Payments to related parties of the entity and their associates	Current quarter	\$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1		177
6.2	Aggregate amount of payments to related parties and their associates included in item 2		0

Note: If any amounts are shown in items 6.1 and 6.2, your quarterly activity report must include a description of and an explanation for, such payments

7.0 Financing facilities available

Note: the term 'facility' includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the position

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities****Total facility amount at quarter end****Amount drawn at quarter end****\$A'000****\$A'000**7.5 **Unused financing facilities available at quarter end**

7.6 Include in the below a description of each facility above, including the lender, interest rate, maturity date 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 a note providing details of those facilities as well.

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8.0 Estimated cash available for future operating activities**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

(440)

8.2 Capitalised exploration & evaluation (Item 2.1(d))

(685)

8.3 Total relevant outgoings (Item 8.1 + Item 8.2)

(1,125)

8.4 Cash and cash equivalents at quarter end (Item 4.6)

7,772

8.5 Unused finance facilities available at quarter end (Item 7.5)

0

8.6 Total available funding (Item 8.4 + Item 8.5)

7,772

8.7 **Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**

6.9

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- 1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

- 2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

- 3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 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:

20/07/2023

Authorised by:

By the board

(Name of body or officer authorising release - see note 4)

Notes

- 1 The quarterly report and the accompanying activity report provides a basis for informing the market how the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *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 standard applies 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.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board. If it has been authorised for release to the market by a committee of your board of directors, you can insert her: "By the [name of board committee - eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Councils Corporate governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.