



Quarterly Activities Report – Period Ended 31 December 2020

Key Points

- Bankable Feasibility Study (“BFS”) confirms strong business case for Syrah’s natural graphite Active Anode Material (“AAM”) production at Vidalia facility in USA, with robust economics
- Syrah produces Active Anode Material (“AAM”) using Vidalia precursor to target specification and AAM product qualification commenced with potential customers
- Improved natural graphite market conditions during the quarter – higher prices observed, increased enquiry
- Syrah signs Memorandum of Understanding (“MoU”) for solar and battery project to provide environmental and cost benefits at Balama
- Syrah remains on track to become a vertically integrated producer of natural graphite AAM to service ex-Asia markets
- Balance sheet strengthened via completion of a A\$56 million (US\$42 million)¹ Placement and a \$12 million (US\$9 million) Share Purchase Plan (SPP) to be completed post quarter end²
- In addition, Syrah proposes A\$56 million (US\$42 million) in convertible notes, issuable at Syrah’s option and subject to shareholder approval
- Syrah ends quarter with strong cash balance of US\$75 million

Vidalia Battery Anode Material Project (“Vidalia”) – USA

Syrah Resources Limited (ASX: SYR) (“Syrah” or “Company”) continues to progress towards becoming a vertically integrated producer of natural graphite AAM to service ex-Asia markets.

During the quarter, Syrah achieved first production of AAM via toll processing of purified spherical graphite (anode precursor) from the Company’s facility in Vidalia, Louisiana, USA (“Vidalia”). The AAM was produced to target specifications and dispatched to Electric Vehicle (“EV”) supply chain participants for commencement of product qualification. Syrah is using tolling to accelerate the provision of material to potential customers ahead of installation of a furnace at Vidalia in Q1 2021, which is expected to enable AAM production of equivalent specification to the toll produced material.

A BFS completed during the quarter confirmed robust economics for large-scale AAM production at Vidalia³. Syrah has committed to undertake detailed design for initial expansion of the existing plant⁴

¹ All A\$ proceeds converted into US\$ based on the USD/AUD exchange rate of 0.74 as of 9 December 2020

² Announcement of SPP results is planned for 25 January 2021. Strong demand noted through the SPP process, with applications received beyond A\$12 million. Syrah may decide to raise a higher amount or scale back applications under the SPP at its discretion.

³ See ASX release 1 December 2020.

⁴ Syrah’s Vidalia facility can produce 5,000 metric tonnes per annum (5ktpa) of unpurified spherical graphite and 0.2ktpa of purified spherical graphite to battery specification. Installation of a furnace in Q1 2021 will enable the capability to produce 0.2ktpa of natural graphite AAM.

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and infrastructure to 10ktpa of AAM production capability, which can be achieved within Syrah's existing 25-acre industrial site. A final investment decision for the construction of a 10ktpa AAM plant at Vidalia is planned during H2 2021, subject to end customer commitments and strategic / financial partnerships.

Commencement of product qualification and completion of the BFS significantly progresses the Company's strategy to become a vertically integrated producer of natural graphite AAM to service ex-Asia markets, which are currently 100% reliant on China for their battery anode supply chains. The progress at Vidalia and its vertical integration with Balama presents a unique value proposition to Governments, auto makers and cell manufacturers. Specifically: scale; independence and localisation with USA battery production; critical mineral security; and Environmental, Social and Governance ("ESG") auditability back to the graphite source.

Balama Graphite Operation ("Balama") – Mozambique

Balama achieved a Total Recordable Injury Frequency Rate ("TRIFR") of 0.7 for the quarter. The company continues to focus on compliance with government directives and high standards of internal COVID-19 protocols.

Syrah suspended production at Balama in March 2020 due to impacts of COVID-19, specifically: travel restrictions, limiting the mobility of the Balama workforce; and weak end user demand due to lockdowns, mobility restrictions and economic uncertainty negatively impacting EV sales.

The company is assessing a potential restart of production at Balama with consideration of travel restrictions and improved natural graphite market balance observed through the quarter. Balama is positioned to preserve cash during its temporary production suspension whilst also retaining operating and marketing capability to promptly recommence production once a restart decision is made. Restart lead time is expected to be 2 to 3 months post a restart decision.

Syrah continues to assess options to further reduce the operating cost base and improve the ESG credentials at Balama upon restart of production. To this end, Syrah signed a MoU with Solar Century Africa Limited ("Solarcentury") during the quarter to progress a solar and battery storage hybrid power system to work in conjunction with the existing diesel generation power plant at Balama in Mozambique⁵.

The Company continues to monitor the security situation in Cabo Delgado province. There has been no impact on Syrah's operations, movement of people, or transport, and appropriate security protocols are in place.

Market Update

Positive momentum in EV sales growth continued during the quarter, which is a key leading indicator for natural graphite demand growth. Global EV sales grew 106%⁶ YoY in Q4 2020 and 89% YoY⁶ in H2 2020, which contrasts with H1 2020 sales which were down 17% YoY⁷. Significant increase in battery anode production has occurred through H2 2020 and evidence of improved upstream market balance

⁵ See ASX release 22 December 2020.

⁶ Based on data from EV Sales (<http://ev-sales.blogspot.com/>) for October and November. Syrah estimates for December.

⁷ Based on data from EV Sales (<http://ev-sales.blogspot.com/>).

was noted during the quarter via improvement in observed natural graphite prices and increased customer enquiry. Syrah expects these trends to continue into 2021.

Government and commercial recognition of the strategic importance of battery raw materials supply and policy commitments to support the decarbonisation of the transport sector were ongoing during the quarter. The completion of the BFS and commencement of AAM product qualification with potential customers positions Syrah to continue engagement with key stakeholders on these fronts.

Finance and Corporate

During the quarter, the Company announced the execution of a convertible note deed, a fully underwritten institutional placement and a Share Purchase Plan (“SPP”) to eligible shareholders to raise A\$124 million (collectively, the “Capital Raising”).

The Capital Raising includes the following components:

- An approximately A\$56 million (US\$42 million) fully underwritten placement to professional and sophisticated investors, completed during the quarter at a fixed offer price of A\$0.90 per share;
- A non-underwritten SPP to raise A\$12 million (US\$9 million), offered to eligible shareholders in Australia and New Zealand to be completed post quarter end⁹;
- A proposed A\$56 million (US\$42 million) in convertible notes issuable, at Syrah’s option, in two equal tranches before 31 March 2021 and 30 June 2021 to AustralianSuper Pty Ltd as trustee for AustralianSuper (“Convertible Notes”). Issue of the Convertible Notes is subject to certain conditions, such as Syrah shareholder approval under ASX Listing Rule 7.1.

Syrah will use proceeds of the Capital Raising to: progress Syrah’s natural graphite AAM facility in Vidalia towards a final investment decision during H2 2021 for the construction of a 10ktpa AAM plant, subject to end customer commitments or strategic / financial partnerships; provide additional liquidity to manage a restart decision at Balama in an orderly manner, subject to market demand conditions; and provide funds for general corporate purposes.

Cash balance at 31 December 2020 was US\$75m.

Licences

The following table lists the current licences held by Syrah Resources Limited and its subsidiaries as at 31 December 2020:

| Project | Licence Number | Licence Type | Country | Interest acquired/farm-in during the quarter | Interest disposed/farm-out during the quarter |
|---------|----------------|-------------------|------------|--|---|
| Balama | 6432C | Mining Concession | Mozambique | - | - |

⁹ Announcement of SPP results is planned for 25 January 2021. Strong demand noted through the SPP process, with applications received beyond A\$12 million. Syrah may decide to raise a higher amount or scale back applications under the SPP at its discretion.

Notes in relation to Appendix 5B

Payments to related parties and their associates during the quarter as outlined in Section 6 of the accompanying Appendix 5B to this quarter's activities report were US\$182,000. These payments are related to salaries, superannuation, advisory and consultancy fees paid to directors and/or director related entities during the quarter ended 31 December 2020, including amounts paid to Sal & Caldeira Advogados a related party of José Caldeira (Non-Executive Director).

This ASX release was authorised on behalf of the Syrah Board by:

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About Syrah Resources

Syrah Resources (ASX code: SYR) is an Australian Stock Exchange listed industrial minerals and technology company with its flagship Balama Graphite Operation in Mozambique and a downstream Battery Anode Material Project in the United States. Syrah's vision is to be the world's leading supplier of superior quality graphite 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. 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 or oil and gas exploration entity quarterly cash flow report

Name of entity

SYRAH RESOURCES LIMITED

ABN

77 125 242 284

Quarter ended ("current quarter")

31 DECEMBER 2020

| 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 | 1,675 | 12,304 |
| 1.2 Payments for | | |
| (a) exploration & evaluation | | |
| (b) development | | |
| (c) production | (6,203) | (36,948) |
| (d) staff costs ⁽¹⁾ | (3,151) | (16,301) |
| (e) administration and corporate costs | (598) | (2,172) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 26 | 462 |
| 1.5 Interest and other costs of finance paid | - | (6) |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | | |
| 1.8 Other – VAT recoveries | 1,456 | 8,610 |
| 1.9 Net cash from / (used in) operating activities | (6,795) | (34,051) |

(1) 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 or for: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | (1,384) | (8,642) |
| (d) exploration & evaluation | - | - |
| (e) investments | - | - |
| (f) other non-current assets | - | - |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | | Current quarter US\$'000 | Year to date (12 months) US\$'000 |
|--------------------------------------|---|-----------------------------|---|
| 2.2 | Proceeds from the 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 - Environmental Bond | (1,248) | (1,248) |
| 2.6 | Net cash from / (used in) investing activities | (2,632) | (9,890) |

| | | | |
|-------------|---|---------------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 42,363 | 42,363 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (1,383) | (1,383) |
| 3.5 | Proceeds from borrowings | - | 187 |
| 3.6 | Repayment of borrowings | (43) | (194) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other – payment for interest and principal on lease liabilities | (811) | (3,078) |
| 3.10 | Net cash from / (used in) financing activities | 40,126 | 37,895 |

| | | | |
|-----------|--|---------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 43,633 | 80,577 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (6,795) | (34,051) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (2,632) | (9,890) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 40,126 | 37,895 |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | | Current quarter US\$'000 | Year to date (12 months) US\$'000 |
|---|---|-------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | 659 | 460 |
| 4.6 | Cash and cash equivalents at end of period | 74,991 | 74,991 |

| 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 | 9,994 | 9,465 |
| 5.2 | Call deposits | 64,997 | 34,168 |
| 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) | 74,991 | 43,633 |

| 6. | Payments to related parties of the entity and their associates | Current quarter US\$'000 |
|-----------|---|-------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 182 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

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

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| 7. Financing facilities | Total facility amount at quarter end US\$'000 | Amount drawn at quarter end US\$'000 |
|--|---|---|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> | | |
| <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 | - | - |
| 7.2 | - | - |
| 7.3 | 47,468 | 47,468 |
| 7.4 | 47,468 | 47,468 |
| 7.5 | Unused financing facilities available at quarter end | |
| | | - |
| 7.6 | Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing 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. | |
| | <p>With reference to item 7.3, Syrah issued a 5-year unsecured convertible note to AustralianSuper Pty Ltd during October 2019 to raise A\$55.8 million (Convertible Note). Interest to accrue on Principal Outstanding at a rate of (at the Company's discretion): 8% per annum, capitalised quarterly in arrears and added to Principal Outstanding; or 7.5% per annum if Syrah elects to make interest payments in cash. See ASX announcement dated 19 June 2019 for a summary of key terms associated with the Convertible Note.</p> <p>The value provided in 7.3 includes the Convertible Note face value, interest accrued and capitalised establishment fee. The amount is converted from Australian Dollars to United States dollars at an AUDUSD exchange rate of 0.7702 (Q3 2020 0.7108)</p> <p>Syrah has reached an agreement with its largest shareholder and the holder of an existing Convertible Note to subscribe for new Convertible Notes totalling A\$56 million, with issue, at Syrah's option, in two tranches before 31 March 2021 and 30 June 2021. The issue of the Convertible Note is conditional on obtaining the approval of Syrah's ordinary shareholders in accordance with ASX Listing Rule 7.1. The shareholders' meeting is proposed to be held on 26 February 2021. See ASX announcement dated 10 December 2020 for a summary of key terms associated with the Convertible Notes.</p> | |
| 8. Estimated cash available for future operating activities | US\$'000 | |
| 8.1 | (6,795) | |
| 8.2 | - | |
| 8.3 | (6,795) | |
| 8.4 | 74,991 | |
| 8.5 | - | |
| 8.6 | 74,991 | |
| 8.7 | Estimated quarters of funding available (item 8.6 divided by item 8.3) | |
| | 11.0 | |
| | <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> | |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

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

8.8.1 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: Not applicable as item 8.7 is greater than 2.

8.8.2 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: Not applicable as item 8.7 is greater than 2.

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

Answer: Not applicable as item 8.7 is greater than 2.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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:21 January 2021.....

Authorised by:The Board.....

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about 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 cash flow 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 cash flow 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.
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 here: "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 Council's *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.