



Quarterly Activities Report – Period Ended 31 March 2021

Key Points

- Natural graphite production at Balama recommenced ahead of schedule – 5kt produced and 2kt of prior sales shipped from product inventory in the quarter
- Completed transfer of quota for 5% Mozambique Government interest in Balama in accordance with the Mining Agreement¹
- Syrah advancing strongly to become a vertically integrated producer of natural graphite Active Anode Material (“AAM”) to service ex-Asia markets
- Furnace installed and commissioned at Vidalia – further delivery of on-specification AAM to potential customers for qualification enabled from fully integrated commercial scale AAM facility at Vidalia
- Potential battery manufacturer and OEM customers engaged in qualification of AAM – Syrah receiving positive feedback on quality and performance
- Completed Front-End Engineering and Design and transitioned to initial Detailed Design for expansion to 10ktpa AAM production capacity at Vidalia
- Progressing evaluation of strategic and financial partnership options for Vidalia
- Strong demand growth for natural graphite end uses, with EV sales up 140% in Q1 2021 versus Q1 2020²
- Share Purchase Plan closed significantly oversubscribed, raising A\$18 million³
- Elected not to issue Series 2 Convertible Note⁴
- Strong quarter end cash balance of US\$78 million.

Balama Graphite Operation (“Balama”) – Mozambique

Syrah Resources Limited (ASX: SYR) (“Syrah” or “Company”) achieved a Total Recordable Injury Frequency Rate (“TRIFR”) of 0.0 at Balama for quarter end. The Company continues to focus on compliance with Government directives and high standards of internal COVID-19 protocols.

Syrah recommenced production at Balama during the quarter ahead of schedule versus the expected lead time of two to three months from the restart decision. The Company announced its decision to restart Balama production in February 2021 following a temporary suspension of production from March 2020 due to the impacts of COVID-19. The restart decision was predicated on the easing of COVID-19 restrictions in Mozambique, strengthening natural graphite market conditions and new enquiries / commitments from customers. These supportive restart conditions were sustained through the quarter.

¹ Refer ASX release 27 September 2018.

² Based on data from EV Sales (<http://ev-sales.blogspot.com/>) for January 2021 and February 2021, data for actual EV sales for China / top 10 Euro countries for March 2021 and Syrah estimates for the rest of the world for March 2021.

³ Refer ASX release 25 January 2021.

⁴ Refer ASX release 30 March 2021.

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Syrah produced 5kt of natural graphite at Balama during the quarter. Product quality (mix and grade) and plant recovery are progressing according to the ramp-up plan. Plant availability is approaching 100%, which is a testament to the preparedness and maintenance work undertaken by the Balama Operations team during the temporary suspension. The Company is progressively increasing plant utilisation and production volumes as it reinstates the full contingent of labour at Balama, and with consideration of prevailing market demand and leading indicators, including electric vehicle (“EV”) sales growth. During the quarter, Syrah hired 63 additional personnel, almost exclusively former employees of the Company, taking the labour contingent at Balama to 290 excluding contractors.

Natural graphite shipments of prior sales from product inventory were 2kt at a weighted average price of US\$567 per tonne (CIF) during the quarter. Syrah continues to see increasing customer enquiry and forward contracting across segments and geographies. Sales were predominantly to established customers, demonstrating demand for Balama’s high quality products.

The Company is actively monitoring the security situation in the northern districts of Cabo Delgado province through various government, community and commercial channels. There has been no impact on Syrah’s operations, employees or contractors. The Company’s security procedures, which are regularly reviewed and updated, are deemed appropriate.

In accordance with the Mining Agreement between Syrah and the Government of the Republic of Mozambique⁵, a 5% non-diluting free carried equity interest in Syrah’s in-country subsidiary Twigg Exploration and Mining Limitada (“Twigg”) was transferred to a Government of Mozambique entity, Empresa Mocambicana de Exloracao Minera, SA (“EMEM”), via a “Quotaholders Agreement”. The execution of the Quotaholders' Agreement reinforces the constructive relationship between Syrah and the Government of Mozambique. Syrah looks forward to a collaborative relationship with EMEM, supporting Twigg’s long term, sustainable and mutually beneficial operations in Mozambique.

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

Syrah continues to make strong progress towards becoming a large scale vertically integrated producer of natural graphite AAM to service ex-Asia markets.

During the quarter, Syrah installed and commissioned a commercial scale furnace at its Vidalia facility in Louisiana, USA to enable fully integrated production of AAM at Vidalia for qualification with potential battery manufacturer and OEM customers. The furnace will produce AAM from Q2 2021 with the same target specifications as toll treated AAM that has been produced from Vidalia anode precursor and dispatched to potential customers for qualification since Q4 2020.

Potential customers continue to progress qualification of toll treated AAM from Vidalia. Syrah received positive feedback on its toll treated AAM during the quarter. Physical properties and electrochemical performance in half-cell testing of Syrah’s material was consistent with or superior to a benchmark AAM. Syrah will progress to full-cell cycle testing of toll treated AAM from Vidalia in Q2 2021. Extensive engagement from potential customers during the quarter evidenced a strengthening focus on Vidalia as an AAM supply option outside of Asia.

⁵ Refer ASX release 27 September 2018.

Syrah completed Front-End Engineering and Design for the initial expansion of production capacity at Vidalia, confirming the assumptions in the Bankable Feasibility Study (“BFS”) released in December 2020. The Company transitioned to initial Detailed Design during the quarter and continues to progress market de-risking activities. Syrah’s preferred construction contractor and contracting model will be selected in Q2.

During the quarter, Syrah continued to evaluate potential strategic and financial partnership options, including customer commitments and funding, for the construction of a 10ktpa AAM facility at Vidalia. The Company has appointed Greenhill & Co as its financial advisor to assist in this process. Syrah plans to make a final investment decision for construction of this facility at Vidalia in H2 2021, subject to customer commitments and strategic / financial partnerships.

Syrah is participating with the Future Battery Industries Cooperative Research Centre (“FBICRC”)⁶ in the Super Anode Project⁷, a project that is targeting the co-development of more efficient production processes for anode precursor material and higher energy density anodes.

Syrah believes it is the most progressed vertically integrated natural graphite AAM supply alternative for USA and European battery manufacturers and OEMs, which are currently 100% reliant on China for their battery anode supply chains. The progress at Vidalia and its vertical integration with Balama is a unique value proposition to Governments, OEMs and battery manufacturers. Specifically: scale; independence and co-location with USA battery production; critical mineral security; and Environmental, Social and Governance (“ESG”) auditability back to the source.

Market Update

Positive momentum in EV sales and penetration continued during the quarter, a key leading indicator for natural graphite demand growth. Global EV sales grew 140%² in Q1 2021, versus Q1 2020, to over 1.1 million units which sustains the strong level of EV sales observed in 2H 2020. EV sales growth is resulting in a constructive demand environment for anode material, evidenced by total Chinese AAM production averaging ~46kt per month, further proposed anode capacity additions in China, and increased customer demand for ex-China fines natural graphite supply.

There is continued Government and private sector recognition of the strategic importance of battery raw materials supply chains. Policy commitments to support the electrification of the transport sector intensified during the quarter. The American Jobs Plan announced by the Biden Administration on 31 March 2021 proposes a US\$174bn investment in point-of-sale rebates, tax incentives and infrastructure initiatives to “win the EV market” and enable USA-based OEMs to “spur domestic supply chains to compete globally”. Syrah is expected to benefit from localisation of EV and battery supply chains in the USA and Europe. The Company is engaging with key stakeholders, bilaterally and via industry group participation, to highlight the relevance of the proposed AAM facility at Vidalia in achieving this objective. Syrah is a member of the European Raw Material Alliance (“ERMA”) and the European Battery Alliance (“EBA”), which have the goals of ensuring access to battery raw materials and stabilising a European

⁶ FBICRC is a collaborative research and development program targeting all segments of the battery value chain and supported by industry participants, universities, CSIRO and Federal and State Governments.

⁷ The Super Anode Project is led by the University of Melbourne, with other participants including the Queensland University of Technology, CSIRO, Syrah, AnteoTech Ltd, Calix Limited, EcoGraf Limited, Minerals Research Institute of Western Australia, and Talga Group Ltd.

battery value chain. The Company is also participating in the execution of several projects with the FBICRC to accelerate battery development in Australia.

Finance and Corporate

In January 2021, Syrah completed a Share Purchase Plan (“SPP”) associated with the equity capital raising announced in December 2020⁸. The Company received overwhelming support for the SPP, with valid applications totalling approximately A\$64 million, significantly more than the target of A\$12 million. As a result of the oversubscription, Syrah’s Board of Directors exercised its discretion under the terms of the SPP to accept a total of A\$18 million in applications.³

On 26 February 2021, Syrah’s shareholders approved the issue of Convertible Notes totalling A\$56 million (US\$44 million⁹), with issue, at the Company’s option, in two tranches:

- A\$28 million (US\$22 million⁹) before 31 March 2021 (“Series 2 Note”); and
- A\$28 million (US\$22 million⁹) before 30 June 2021 (“Series 3 Note”).

On 30 March 2021, Syrah elected not to issue the Series 2 Note with consideration of the Company’s strong balance sheet position, ramp-up progress at Balama and strengthening natural graphite market conditions. The Company retains the option to issue the Series 3 Note before 31 June 2021¹⁰.

Syrah’s cash balance as at 31 March 2021 was US\$78 million.

Licences

The following table lists the current licences held by Syrah Resources Limited and its subsidiaries as at 31 March 2021:

Project	Licence Number	Licence Type	Country	Interest acquired/ farm-in during the quarter	Interest disposed/ farm-out during the quarter	Interest held as at 31 March 2021
Balama	6432C	Mining Concession	Mozambique	-	5%	95%

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\$345,475. These payments are related to salaries, superannuation, advisory and consultancy fees paid to directors and/or director related entities during the quarter ended 31 March 2021, including amounts paid to Sal & Caldeira Advogados a related party of José Caldeira (Non-Executive Director).

⁸ Refer ASX release 10 December 2021.

⁹ A\$ converted into US\$ based on the USD/AUD exchange rate of 0.78 as of 20 April 2021.

¹⁰ Subject to approval of Syrah’s ordinary shareholders if issued after 25 May 2021. Syrah proposes to seek such approval at its Annual General Meeting on 21 May 2021.

This 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 document 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 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.

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 document 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 document 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 document speak only as of the date of this document. 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 document 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 document will under any circumstances create an implication that there has been no change in the affairs of Syrah since the date of this document.

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 MARCH 2021

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (3 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,621	1,621
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production	(5,424)	(5,424)
(d) staff costs ⁽¹⁾	(3,728)	(3,728)
(e) administration and corporate costs	(457)	(457)
1.3 Dividends received (see note 3)		
1.4 Interest received	36	36
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other – VAT recoveries	105	105
1.9 Net cash from / (used in) operating activities	(7,847)	(7,847)

(1) Includes staff costs in relation to Balama Graphite Operation, Vidalia 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	(2,095)	(2,095)
(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 (3 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	-	-
2.6	Net cash from / (used in) investing activities	(2,095)	(2,095)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	13,733	13,733
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	(329)	(329)
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 – payment for interest and principal on lease liabilities	(411)	(411)
3.10	Net cash from / (used in) financing activities	12,993	12,993

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	74,992	74,992
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,847)	(7,847)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,095)	(2,095)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	12,993	12,993

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 (3 months) US\$'000
4.5	Effect of movement in exchange rates on cash held	(27)	(27)
4.6	Cash and cash equivalents at end of period	78,016	78,016

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	12,884	9,994
5.2	Call deposits	65,132	64,998
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)	78,016	74,992

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	345
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

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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	47,831	47,831
7.4	47,831	47,831
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 0.7602 (Q4 2020 0.7702)</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. See ASX announcement dated 10 December 2020 for a summary of key terms associated with the Convertible Notes. At the end of March 2021, Syrah elected not to issue a proposed A\$28 million tranche of the Convertible Notes to AustralianSuper Pty Ltd as trustee for AustralianSuper. See ASX announcement dated 30 March 2021.</p>	

8. Estimated cash available for future operating activities	US\$'000
8.1	(7,847)
8.2	-
8.3	(7,847)
8.4	78,016
8.5	-
8.6	78,016
8.7	9.9
<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 April 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.

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