QUARTERLY ACTIVITIES REPORT – PERIOD ENDED 30 JUNE 2020

Key Points

- Ongoing focus on health and safety of personnel and ensuring compliance with internal COVID 19 protocols and government directives. No cases of COVID 19 have been identified at any of Syrah's global operations to date. Total Recordable Injury Frequency Rate ("TRIFR") was 0.8 at Balama at the end of Q2 2020.
- Production of battery specification anode precursor material has been demonstrated at commercial scale at Vidalia (achieved post quarter end), uniquely positioning Syrah as a credible and advanced potential supplier of battery anode material ex-Asia.
- China currently produces 100% of the natural graphite anode precursor material used for production of lithium-ion batteries in Electric Vehicles ("EV"), as well as other applications. Syrah believes the Vidalia operation is the farthest progressed alternate source of natural graphite anode precursor material ex-China.
- Anode precursor from Vidalia will be further processed to Active Anode Material ("AAM") via toll treatment and from a furnace to be installed at Vidalia over the coming quarters, which will further facilitate ongoing strategic, financial partnership, and end-customer interactions.
- Natural graphite sales from Balama during the quarter was 9kt (prior quarter: 7kt)
- No natural graphite production at Balama during Q2 2020 (prior quarter: 12kt) due to ongoing impacts of COVID 19, specifically:
    - Ongoing travel restrictions, limiting the mobility of the Balama workforce; and,
    - Weak end user demand due to lockdowns, mobility restrictions and economic uncertainty negatively impacting year-to-date EV sales.
- Immediate-term market conditions remain weak and timing of re-commencement of production at Balama is uncertain. Although, Syrah believes strong medium to long-term growth in natural graphite demand, driven by growth in EV sales, is supported by: ongoing investments by supply chain participants (auto manufacturers and cell makers); economic stimulus packages designed to accelerate EV adoption and charging infrastructure buildout; and, the relative strength of EV sales versus Internal Combustion Engine ("ICE") passenger vehicles year-to-date.
- A labour restructure at Balama (65% headcount reduction) and other actions are being implemented to further preserve cash during the current period of suspended production, whilst also retaining operating and marketing capability to restart production once travel restrictions are lifted and improvement in end user demand is observed - restart lead time is expected to be 2 to 3 months post implementation of planned cash preservation measures.
- Cost reduction measures are expected to reduce Balama cash outflows to US$7m per quarter, with one-off implementation cost of ~ US$1m to be incurred in Q3 2020.
- Commitment maintained to all in-progress sustainable development and community activities.
- Cash of US$53m at end Q2 2020. Available liquidity and measures taken to minimise fixed costs positions the company to manage an extended period of market uncertainty.

Balama Graphite Operation (Balama) - Mozambique

Summary Balama Operations	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019
Graphite Produced - Tonnes (‘000)	0	12	15	45	44
Graphite Sold and Shipped - Tonnes (‘000)	9	7	17	45	53
Weighted Average Price (CIF) – US$/tonne	478	478	458	391	457

TRIFR at quarter end was 0.8 at Balama. Natural graphite production at Balama was fully suspended during Q2 2020 due to ongoing impacts of COVID 19. Specifically, ongoing travel restrictions that limit the mobility of the Balama workforce and weak end user demand due to lockdowns, mobility restrictions and economic uncertainty which have negatively impacted year-to-date EV sales. Within Mozambique, international and domestic travel restrictions are in the early stages of easing. However, end user demand currently remains unsupportive for restart of production.

Natural graphite sales from Balama during the quarter was 9kt with an average realised selling price of US$478 per tonne. Average selling price in Q2 2020 was equivalent to the prior quarter, with some weakness in prices during the quarter offset by a higher proportion of coarse flake in the sales mix. Finished product natural graphite inventory at Balama and the Port of Nacala was 8kt and finished product natural graphite inventory in the USA was 2kt at 30 June 2020.

Syrah’s market interactions during the quarter indicate that the current challenging market conditions are likely to continue into H2 2020 until Chinese and global EV demand growth regains momentum, and global steel production recovers. Despite the immediate term weakness in end user natural graphite demand, Syrah believes that strong medium to long-term demand growth for natural graphite will be driven by a return of growth in EV sales. This view is supported by ongoing major investments by supply chain participants (auto manufacturers and cell makers), economic stimulus packages designed to accelerate EV adoption and charging infrastructure buildout, and the relative resilience of EV sales versus ICE passenger vehicles year-to-date.

An operational review was undertaken during the quarter in the context of high conviction in resumption of demand growth, but challenging immediate term market conditions. The review identified further available actions to preserve cash in the immediate term whilst also maintaining operational and marketing capability to restart production relatively promptly once travel restrictions are eased and improved natural graphite end user demand is observed.

Initiatives to preserve cash during the period that production remains suspended include minimisation or deferring of capital works and further negotiation of key contract costs. The Company will also undertake a labour restructure that will reduce Balama headcount by 65% during the period of suspended production. 220 roles will be retained at Balama, of which 93% are national and local, to ensure preservation of operational expertise to support recommencement of production once travel restrictions are eased and improved end user demand is observed. The lead time to recommence production post implementation of the labour restructure is expected to be 2 to 3 months, which reflects the time required to re-establish a full complement of labour to operate Balama.

All planned actions to preserve cash during the period of ongoing suspension will be completed through Q3 2020 with an implementation cost of approximately US$1m. Post implementation, cash outflow will reduce to approximately US$7m per quarter for Balama.

Remaining Balama workforce will be focused on preparing for and implementing sustained cost reductions to be embedded upon restart of production, including:

- Process plant maintenance and improvements
- Ongoing contract reviews to seek contract improvements (cost and performance)
- Lower cost procurement
- Readiness to implement lower cost power options

Capability and resources will be maintained for ongoing best practice health, safety and environment management systems, in-line with existing ISO:45001 Occupational Health and Safety Management Systems and ISO:14001 Environmental Management Systems certifications.

In June 2017, Syrah established a Local Development Agreement ("LDA") with the Company's eight Host Communities and the Balama District Administration. The LDA required the formation of a Local Development Committee ("LDC") consisting of Company, Host Community, District and Provincial Government representatives to ensure fair and transparent stakeholder oversight / input into local development projects and associated expenditure. All existing commitments agreed via the LDC are planned to be maintained through the current period of suspended production.

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.

Battery Anode Material (BAM) Site – Vidalia (USA)

Post end of quarter, anode precursor material to battery specification was produced at Vidalia. This represents a key milestone for progression of the Company's strategy to become the first ex-China vertically integrated producer of Active Anode Material ("AAM") from natural graphite.

China currently produces 100% of the natural graphite anode precursor material used for production of lithium-ion batteries in EVs. Syrah believes the Vidalia operation is the farthest progressed alternate source of natural graphite anode precursor material ex-China.

Anode precursor from Vidalia will be further processed to AAM via toll treatment and from a furnace to be installed at Vidalia over the coming quarters, which will further facilitate ongoing strategic, financial partnership, and end-customer interactions.

Benchmarking of the physical and electrochemical properties of pilot scale material provides comfort that the product produced from the facility in Vidalia will deliver equivalent or superior performance to material supplied by major incumbent industry participants.

The operating plant currently installed at Vidalia includes 5kt per annum capacity of graphite milling, batch scale purification capability (200t per annum capacity) and all ancillary plant required to demonstrate capability to scale the facility whilst maintaining product quality, environmental compliance and best practice health and safety procedures. A Bankable Feasibility Study ("BFS") for initial 10kt capacity AAM plant and subsequent scale-up to 40kt capacity is due for completion in Q4

2020, with learnings from the installed plant in Vidalia being used to validate BFS assumptions and outcomes.

Balama provides a strategic ex-China source of natural graphite feedstock to vertically integrate with Vidalia, uniquely positioning Syrah to service ex-Asia anode supply chains, including the growing US and European markets.

Syrah's interactions with government, auto makers and battery supply chain participants indicate increased focus on benefits of localised supply chains and supply security of critical battery minerals.

Market Update

Despite the near-term uncertainty, the underlying thematic of decarbonisation of the transport sector via lithium ion powered EVs continues to gain momentum.

Commitments during the quarter by supply chain participants and Governments ex-China were characterised by cooperation between automakers and battery makers as well as investments in battery production capacity:

- VW 1.1bn EUR (1.24bn USD) investment into battery maker Guoxuan Hi-tech
- Daimler committed to a 3% stake in battery maker Farasis
- Morrow Batteries to build 32GWh battery plant in Norway
- SK Innovation 940mn USD investment in second US battery plant
- German government 1.5bn EUR (1.7bn US) in battery cell research and production

Post quarter end, BMW agreed a €2bn battery cell contract with Northvolt. BMW noted that they would work with Northvolt to source the raw materials for cell production, "from mines that fulfil the high sustainability standards of both companies". Syrah believes it is well positioned as sustainability credentials of battery raw materials supply comes under increased scrutiny given: the superior environmental credentials of natural versus synthetic graphite; and, the best practice Environmental, Social and Governance ("ESG") standards embedded at Balama.

EV sales have been more resilient than ICE vehicles through 2020. To the end of May, EV sales in 2020 are down 15%[1] compared to ICE sales down 30%[2] versus the same period in 2019. Syrah believes that the resilience of EV sales versus ICE sales is a positive indicator for strong EV demand beyond the current period of general auto sales weakness. COVID 19 economic stimulus measures by governments have been implemented to accelerate the decarbonisation of the transport sector whilst also stimulating the economy[3], which provides additional support for the expected strong medium to long-term growth outlook for natural graphite.

Analyst are generally constructive that EV sales will grow in H2 2020 versus the prior year, although potential remains for ongoing COVID 19 challenges to negatively impact end user demand for rest of year.

[1] http://ev-sales.blogspot.com/2020/06/
[2] LMC Automotive
[3] https://mobile-reuters-com.cdn.ampproject.org/c/s/mobile.reuters.com/article/amp/idUSKBN23B0XG

Finance and Corporate

Cash balance at 30 June 2020 was US$53m, in line with forecast[4].

Balance of actions at Balama to preserve cash during immediate-term period of natural graphite market weakness will be implemented during Q3 2020, expected implementation cost of approximately US$1m. Post implementation, cash outflow will reduce to approximately US$7m per quarter for Balama. Near term cash outflows for BAM and corporate will be approximate to year-to-date 2020 expenditures of US$2m and US$1m per quarter respectively.

Available liquidity and measures taken to minimise fixed costs positions the company to manage an extended period of market uncertainty.

Licences

The following table lists the current licences held by Syrah Resources Limited and its subsidiaries as at 30 June 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	-	-

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 quarterly activities report were US$159,000. These payments are related to salaries, superannuation, advisory and consultancy fees paid to directors and/or director related entities during the quarter ended 30 June 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:

Shaun Verner, Managing Director

[4] See ASX announcement 22 April 2020

For further information contact Investor Relations

Kristian Stella

Contact: +61 3 9670 7264

Email: k.stella@syrahresources.com.au

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. Syrah produced over 100,000 tonnes of natural graphite in 2018 and is the largest and first major new natural graphite operation developed outside of China. 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.

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	Quarter ended ("current quarter")
77 125 242 284	30 JUNE 2020

Consolidated statement of cash flows		Current quarter US$'000	Year to date (6 months) US$'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	3.505	8,314
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	(13,434)	(25,643)
	(d) staff costs [(1)]	(4,215)	(9,271)
	(e) administration and corporate costs	(489)	(998)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	144	381
1.5	Interest and other costs of finance paid	(5)	(5)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other – VAT recoveries	4,891	6,624
1.9	**Net cash from / (used in) operating activities**	**(9,603)**	**(20,598)**

(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:		
	(a) Entities	-	-
	(b) Tenements	-	-
	(c) property, plant and equipment	(2,297)	(4,887)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		**Current quarter US$'000**	**Year to date (6 months) US$'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**	**(2,297)**	**(4,887)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	187	187
3.6	Repayment of borrowings	(92)	(92)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – payment for interest and principal on lease liabilities	(754)	(1,474)
3.10	**Net cash from / (used in) financing activities**	**(659)**	**(1,379)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	64,726	80,577
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,603)	(20,598)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,297)	(4,887)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(659)	(1,379)

Consolidated statement of cash flows		Current quarter US$'000	Year to date (6 months) US$'000
4.5	Effect of movement in exchange rates on cash held	1,015	(531)
4.6	**Cash and cash equivalents at end of period**	**53,182**	**53,182**

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	9,697	14,047
5.2	Call deposits	43,485	50,679
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)**	**53,182**	**64,726**

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	159
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

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end US$'000**	**Amount drawn at quarter end US$'000**
7.1	Loan facilities	95	95
7.2	Credit standby arrangements	-	-
7.3	Other - convertible note	40,551	40,551
7.4	**Total financing facilities**	**40,646**	**40,646**

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.

The facility reflected in 7.1 represents an insurance premium funding facility for Syrah's AUD denominated insurance policies with LEDGE Finance. This facility has an effective interest rate of 9.14% and will be fully repaid in November 2020. Under the terms of the agreement, the finance provider may cancel the underlying insurance policies to recover any outstanding amounts if repayments are not made.

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.

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 0.6863 (Q1 2020 0.6175)

8.	**Estimated cash available for future operating activities**	**US$'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(9,603)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(9,603)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	53,182
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	53,182
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	5.5

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: Not applicable as item 8.7 is greater than 2.

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.

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.

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: ....23 July 2020...

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.