Syrah Resources Ltd (SYR.ASX)

With a little help from my friends

Event:

- **1Q 2025 report; Balama restart; price-target change.**

Investment Highlights:

- **Quarterly better than expected.** SYR did better than we anticipated in its March quarter, due to sale of Balama concentrate and lower cash burn. 1kt product was shipped (FSBe: 0kt) with a high realised price of US$827/t CIF, or US$683/t FOB, despite it being 98% fines, and up 26% and 50% respectively on the December quarter, likely reflecting US and Europe customers seeking non-China product. Average China benchmark fines FOB price was US$447/t during the quarter.
- **Lower cash burn.** SYR ended March with US$66M cash (FSBe: US$61M), with receipts of US$4M and lower Balama burn of US$3M/month fixed cost (FSBe US$4M) being the chief contributors.
- **Restart a big positive – expect shipments resuming in June.** On May 5th SYR announced that Balama access had been restored, following a formal agreement between itself, the Government, and the protesting farmers, with any included financial settlement to be immaterial. We expect one month re-mobilisation and build-up of inventory from campaign mining producing 15kt, with first shipments to resume by end of June.
- **DFC, DoE, Trump…all helping out.** While the resumption of production means that SYR can draw down some, or all, of the DFC Tranche 1 balance of US$47M, we understand it may have been able to do so if Balama was still offline. This builds on top of a slew of US Presidential Executive Orders showing urgency in securing critical minerals ex-China – such as graphite - as well as growing domestic industry. The orders include the US Export Import Bank and DFC, among others, to deliver recommendations. All this can only help SYR.
- **More penalties for China graphite in the pipeline?** Meanwhile the US Department of Commerce is finalising a preliminary determination on countervailing duties by late May and anti-dumping margins late July. These will likely add to the pain of existing 25% tariffs on natural graphite. Together with Executive Orders it further makes Vidalia anode more economically attractive and China graphite less so. SYR also restarted commercial discussions with a tier-1 automaker it aims to convert into a binding agreement.

Earnings and Valuation:

- **Earnings changes**. We reduce forecast SYR adj. NPAT in 2025 to -US$93M from -US$64M on lower Balama and Vidalia shipments, and increase it in 2026 to -US$20M from -US$23M on better Balama realised pricing, especially as sales to South Korea, Indonesia, and North America increase
- **Risked valuation (0.26x NPV$_{10}$ nominal) increases to $0.50 from $0.45,** driven by our higher realised Balama pricing from 2026, and lower equity dilution from assuming future equity is raised at a higher share price than previously.

Recommendation:

- **We maintain our Buy and increase our 12-month price target to $0.50 from $0.45,** based on risked valuation. Catalysts include: 1) Resumption of Balama shipments; 2) Commercial Vidalia sales; 3) Improving graphite markets; 4) Funding for Vidalia 45ktpa; and 5) Corporate activity.

Disclosures

The analyst owns 73,690 SYR shares. Foster Stockbroking, staff, and Cranport own <1% of SYR shares on issue.

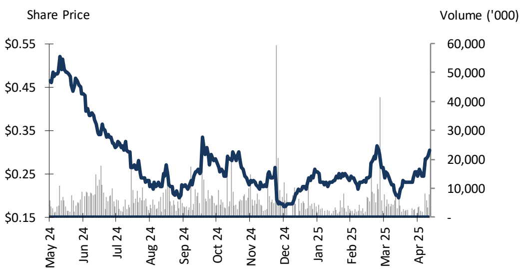
Recommendation	**Buy**
Previous	Buy
Risk	Medium
Price Target	**$0.50**
Previous	$0.45
Share price (A$)	**$0.305**
ASX code	SYR
52 week low-high	$0.17-0.52
Valuation - risked (A$/share)	**$ 0.50**
Methodology	risked NPV
Capital structure	
Shares (M)	1,042
Market cap (A$M)	318
Net cash (debt) (A$M)	-299
Performance rights (M)	31
Diluted EV (A$M)	626
Ave daily volume ('000)	5,920

Earnings US$M y/e Dec	**FY24a**	**FY25e**	**FY26e**	**FY27e**
Sales	33	37	221	339
EBITDA adj	-84	-50	10	57
NPAT reported	-121	-93	-20	-4
NPAT adj	**-118**	**-93**	**-20**	**-4**
EPS adj. $*	**-0.13**	**-0.09**	**-0.02**	**0.00**
PE x	**nm**	**nm**	**nm**	**nm**
EV/EBITDA x	nm	nm	nm	2.4x

** Adj =underlying*

Substantial shareholders	
AustralianSuper Pty Ltd	32.9%
Paradice Investment Management Pty Ltd	7.0%
Bruce N Gray	3.4%
Board	
Shaun Verner	MD and CEO
James Askew	Non-Executive Chairman
Jose Manuel Caldeira	Non-Executive Director
Lisa Bahash	Non-Executive Director
John Beevers	Non-Executive Director
Sara Watts	Non-Executive Director

Share price graph



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Syrah Resources (SYR)

Full Year Ended 31 December

Profit and Loss US$M	2024a	2025e	2026e	2027e
Revenue	33	37	221	339
Operating costs adj.	115	85	211	282
EBITDA adj.	**-84**	**-50**	**10**	**57**
D&A	20	25	25	49
EBIT adj.	**-104**	**-75**	**-15**	**8**
Net Interest exp / (income)	21	20	10	11
PBT adj.	**-125**	**-96**	**-26**	**-3**
Tax exp / (benefit) adj.	-4	-1	-5	0
NPAT before minorites	**-121**	**-94**	**-21**	**-3**
Minority	-3	-2	-1	1
NPAT adj.	**-118**	**-93**	**-20**	**-4**
Non-recurring items	-3	0	0	0
NPAT reported	**-121**	**-93**	**-20**	**-4**
EPS diluted adj. ($)	**-0.13**	**-0.09**	**-0.02**	**0.00**

Cashflow US$M	2024a	2025e	2026e	2027e
EBITDA adj.	-82	-48	10	57
Change in WC	-9	-11	-4	-4
Net interest	2	-6	-10	-11
tax	0	1	5	0
Share based expense	3	3	3	3
Other	6	2	2	2
Operating Cashflow	**-80**	**-60**	**5**	**47**
Purchase of PP&E	-24	-8	-8	-209
Acquisitions	0	0	0	0
Capitalised expenses	0	0	0	0
Investments	0	0	0	0
Other	0	0	0	0
Investing Cashflow	**-24**	**-8**	**-8**	**-209**
Equity issue	64	0	0	230
Debt proceeds	49	47	0	51
Debt repayments		-5	-22	-22
Lease interest & payments	-3	-3	-3	-3
Other	0	0	0	0
Financing Cashflow	**107**	**39**	**-25**	**256**
Net Cashflow	**3**	**-29**	**-29**	**94**

Balance Sheet US$M	2024a	2025e	2026e	2027e
Cash	87	58	30	124
Receivables	16	8	18	28
Inventories	28	8	18	28
PPE	414	393	376	536
Capitalised expl'n	116	116	129	145
Intangibles	0	0	0	0
Other	31	35	35	37
Total Assets	**692**	**619**	**607**	**897**
Accounts payable	15	7	12	18
Provisions	15	15	15	15
Debt	256	310	310	363
Other	24	0	0	0
Total Liabilities	**310**	**332**	**338**	**397**
Capital & reserves	930	933	936	1169
Retained earnings	-547	-643	-664	-667
Minority	-1	-2	-3	-2
Total Equity	**382**	**287**	**269**	**500**

Half split	1H24a	2H24a	1H25e	2H25e
Revenue	21	12	3	34
EBITDA	-38	-44	-34	-15
NPAT adj	**-56**	**-68**	**-57**	**-39**
Graphite conc. shipments kt	31	23	3	41
Anode shipments kt	0	0	0	2

Graphite Resources	Ore Mt	TGC %	Cont TGC Mt
JORC Resource	1,035	11.6%	119.6
JORC Reserves	110	16.3%	18.0

Financial Metrics	2024a	2025e	2026e	2027e
Sales growth %	-30%	11%	498%	53%
EPS growth %	31%	-32%	-79%	-88%
EBITDA margin	-251%	-136%	4%	17%
EBIT margin	-312%	-204%	-7%	2%
Gearing (ND/ND+E)	31%	47%	51%	0%
Interest Cover (EBIT/net interest) x	-5x	-4x	-1x	1x
Average ROE %	-33%	-28%	-7%	-1%
Average ROA %	-15%	-11%	-3%	1%

Valuation multiples	2024a	2025e	2026e	2027e
P/E x	**nm**	**nm**	**nm**	**nm**
EV/EBITDA x	**nm**	**nm**	**nm**	**2.4x**

Company Valuation

DCF, WACC 10% nominal

Segment	Unrisked A$M	Unrisked A$/sh	Risked A$M	Risked A$/sh
Balama graphite	378	$0.30	359	$0.15
Vidalia 11.25ktpa	285	$0.23	256	$0.11
Vidalia 45ktpa delta vs 11.25ktpa	746	$0.60	634	$0.27
Anode 100ktpa delta vs 45ktpa	912	$0.73	91	$0.04
Balama vanadium	98	$0.08	10	$0.00
Corporate & working capital	-232	-$0.19	-232	-$0.10
Future equity for Vidalia Stage 3	329	$0.26	329	$0.14
IRA tax credit	236	$0.19	24	$0.01
Net cash	-299	-$0.24	-299	-$0.13
Total	**2,451**	**$1.97**	**1,171**	**$0.50**
Shares M	1042		1042	
Future equity for Vidalia Stage 3 M	169 *		1259 **	
Performance rights M	31		31	
Fully diluted shares M	**1242**		**2,332**	

***Unrisked future equity assumed rasied at valuation.*

***Risked future equity assumed rasied at near current share price.*

Commodity Assumptions		2024a	2025e	2026e	2027e
China flake graphite 95% FOB					
+50mesh	US$/t	1,404	1,371	1,460	1,500
+80mesh	US$/t	1,123	1,150	1,250	1,300
+100mesh	US$/t	982	965	1,000	1,050
-100mesh (fines)	US$/t	488	452	600	700
Balama graphite basket price CIF	**US$/t**	**597**	**651**	**723**	**813**
Vidalia anode	**US$/t**	**6,094**	**6,230**	**6,414**	**6,600**
A$	US$	0.67	0.64	0.66	0.68
Shipments					
Graphite concentrate - Balama	kt	54	44	212	328
Anode - Vidalia	kt	0	2	11	11
Costs					
AISC Balama graphite, CIF	US$/t	1,434	1,272	820	732
AISC Vidalia anode, CIF	US$/t	nm	4,625	4,310	4,310

Divisional split US$M	2024a	2025e	2026e	2027e
Balama	33	27	151	262
Vidalia	1	10	69	77
Corporate	0	0	0	0
Group Sales	**33**	**37**	**221**	**339**
Balama	-52	-36	-16	28
Vidalia	-39	-23	16	-4
Corporate	-12	-16	-16	-16
Group EBIT	**-104**	**-75**	**-15**	**8**

Capital structure -ProForma	M
Ordinary share	1,035
Performance rights	26
Fully diluted	**1,061**

Source: Company; Foster Stockbroking estimates

1Q 2025 REPORT

Slightly better than expected

- SYR's 1Q 2025 report was better than we had expected, mostly due to both a lower cash burn and sale of concentrate from inventory that we did not anticipate for Balama.

BALAMA

Cash burn lowered while sales achieved

- Despite SYR not operating the Balama mine because of protesters impeding its access during the quarter, 1kt of concentrate in the inventory chain was shipped at US$827/t CIF, for implied sales of US$0.8M. Freight was US$144/t, translating to an FOB price of US$683/t. Considering that the product was 98% fines, the realised FOB price was significantly better than the average benchmark China FOB fines price of US$447/t during the quarter.
- The realised CIF and FOB prices were also up 26% and 50% on the 4Q 2024. We expect this was due to most sales being to Europe, India, and US as opposed to China, including some premium reflected for non-China origin. Receipts were US$3.7M from a positive working capital impact.
- Balama performed better than we had expected on its cash out flows as well, SYR stating the mine's fixed costs being approximately US$3M/month (FSBe US$4M/month), for total of US$9M during the quarter.

Figure 1: Balama key quarterly metrics

Item		*4Q 2024 actual*	*1Q 2025 FSBe*	**1Q 2025 actual**	*Diff. vs FSBe*
Production	kt	*0*	*0*	**0**	*0%*
Shipments - external	kt	*8.7*	*0*	**1.3**	*nm*
Realised price CIF	US$/t	*564*	*n/a*	**827**	*nm*
Realised price FOB	US$/t	*455*	*n/a*	**683**	*nm*
Payments and capex out flow	US$M	*-14*	*-13*	**-11**	*nm*

Source: Company; Foster Stockbroking estimates

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Operations restart a relief

- On May 5th, SYR announced that Balama access had been restored, ending the impediment to the site by protesters' actions which had commenced late September 2024. After period of civil unrest surrounding the October 2024 elections, stability has gradually returned to the country, with the government attending to various matters nationwide that previously it was distracted or unable to address, including the Balama situation.
- As part of access being restored, SYR reached a formal agreement between itself, a majority of farmers that had protested over resettlement, and the Mozambique Government. Part of this involved compensation which we understand is immaterial to SYR.
- We expect the company will begin mining operations on a campaign basis this month, ensure the plant successfully recommissions, and build adequate inventory over about a four- week period. We estimate approximately 15kt will be produced. We expect SYR will resume shipping of product by end June, underpinned by latent demand from ex-China customers. The company will provide an update on the restart in due course.

VIDALIA

Still waiting for first commercial sales

- The company stated it still expects first sales some time this calendar year, while qualification work has shown consistency in high purity (>99.95%), and performance, of Vidalia anode.

Geopolitics, executive orders & anti-dumping investigations positive for SYR

- Meanwhile US geopolitical posturing and actions, supported in part by Presidential Executive Orders, is strengthening Vidalia's market positioning and outlook. These include:
    - Tariffs of upwards to 145% on all China imports. While currently natural graphite from China is exempt from this order, natural anode is still subject to a 20% tariff, with a 25% tariff on natural flake beginning January 2026.
    - Urgent desire to secure critical minerals, ranging from desire to annex Greenland, a critical minerals agreement with Ukraine, and support of seabed mining;
    - No reciprocal tariffs on graphite from Mozambique;
    - The US Export Import Bank to recommend a program to secure global raw critical mineral feedstock for domestic critical mineral processing;
    - The Secretary of Commerce investigating the effect of US imports of critical minerals, including predatory pricing and market manipulation by exporters, and impacts on investment in US industry, and to provide recommendations to incentivise domestic production; and
    - The US Department of Commerce to finalise a preliminary determination on countervailing duties by late May and anti-dumping margins late July on China natural graphite. A preliminary determination by the International Trade Commission in February 2025 found that China has suppressed the US graphite sector.
- All these are in addition to the IRA's foreign entity of concern rules surrounding EV credits. They are particularly supportive for Vidalia – both its existing 11.25ktpa Vidalia and the proposed 45ktpa expansion. The executive orders, duties, tariffs et. al. all pile up to make the US EV sector's addiction to low priced China -source graphite become more economically prohibitive, and US domestic anode such as that from Vidalia more compelling.
- To this end SYR noted that it recommenced commercial negotiations with a tier-1 EV player that it initially was in talks with in the middle of last year for Vidalia anode, but did not finalise an agreement then. However, the prospects of higher tariffs on China graphite was a factor in prompting of re-kindling of negotiations. SYR hopes it conclude a binding offtake agreement with the potential customer.
- During the quarter the company entered into a binding agreement with EV maker Lucid for 7kt of Vidalia anode over three years, or 2.33ktpa, commencing from the start of 2026. Together with the 8.5ktpa offtake with Tesla, this brings total binding offtake to 10.83ktpa, accounting for 96% of the Vidalia 11.25ktpa plant's capacity.

CORPORATE

DFC ready to help out

- SYR finished the quarter with cash of US$66M, better than our expected US$61M, chiefly due to receipts and lower Balama burn (Figure 2).

Figure 2: SYR Cash Flow US$M

Item	*4Q 2024 actual*	*1Q 2025 FSBe*	1Q 2025 actual	*Diff vs FSBe*
Cash beginning quarter	***61***	***87***	**87**	***0%***
Receipts	*6*	*0*	4	*nm*
Operating and capex out flows:				
Balama	*-14*	*-13*	-10	*-22%*
Vidalia	*-6*	*-6*	-8	*33%*
Corporate	*-5*	*-4*	-4	*0%*
Financing				
Debt proceeds after costs	*49*	*0*	0	*0%*
Debt & interest payments	*-2*	*-4*	-2	*-50%*
FX movement	*-1*	*0*	0	*0%*
Cash end quarter	***87***	***61***	**66**	***8%***

Source: Company; Foster Stockbroking estimates.

- The US$66M cash balance comprised US$44M restricted and US$22M unrestricted. Total liquidity including the balance of the DFC loan tranche 1 is US$113M (Figure 3). Balama has $56M cash available for it (US$9M plus US$47M tranche 1 balance) excluding unrestricted cash, Vidalia has US$11M plus some of the US$22M unrestricted it can access, while Corporate can be funded from part of the US$22M unrestricted.

Figure 3: SYR available liquidity

Item	US$M
Cash:	
Restricted for DoE/DFC loan reserves	24
Restricted for Balama operations	9
Restricted for Vidalia operations	11
Unrestricted	22
Undrawn loan:	
DFC balance tranche 1 for Balama	47
Total liquidity	**113**

Source: Company.

- The company's funding position has improved with the restart of Balama operations, as this should facilitate drawdown of the balance of the DFC Tranche 1 loan (US$47M). Even prior to the access being reinstated, the company expressed confidence that it would be able to draw the tranche 1 loan despite it technically being in breach of the loan. The support of the US DFC during this time is a sign of the importance of Balama as major source of non-China graphite for the US. We understand that the DoE is also being supportive to Vidalia as it navigates the path to first sales while servicing debt and interest payments.

EARNINGS FORECASTS

Reducing 2025 Balama sales, but 2026 to show increase

- We have lowered our forecast Balama shipments for 2025 to 44kt from 82kt, as we expect longer muted market conditions to restrict production to campaign mining averaging approximately 15kt per quarter for the balance of the year. In contrast, our Balama sales volumes for 2026 are unchanged, based both on a general market recovery and increasing non-China demand, including from South Korea, Indonesia, and North America.

- While our forecast benchmark China FOB prices are unchanged, we have lifted average realised CIF prices in 2025 and 2026, based on higher freight charges as well as removing a discount we had previously applied to Balama graphite that we believe is no longer warranted.

- For Vidalia we now have pushed back first sales by a quarter to 4Q 2025, reducing our forecast 2025 shipments to 2kt anode vs 4kt previously. Our anode price forecasts remain unchanged.

Figure 4: Balama & Vidalia Shipments

	2025a			2026e		
	new	***old***	***chng***	**new**	***old***	***chng***
Balama:						
Shipments (Vidalia + third-party) kt	44	*82*	*-46%*	212	*212*	*0%*
Realised price CIF US$/t	651	*560*	*16%*	723	*550*	*31%*
AISC CIF US$/t	1,272	*981*	*29%*	820	*672*	*22%*
Vidalia:						
Shipments kt	2	*5*	*-60%*	10	*11*	*-10%*
Realised price US$/t	6,230	*6,230*	*0%*	6,414	*6,414*	*0%*
AISC CIF US$/t	4,625	*4,625*	*0%*	4,310	*4,310*	*0%*

Source: Foster Stockbroking estimates.

- Our changes have led us to downgrade forecast SYR NPAT adj. attributable in 2025e to -US$93M from -US$64M on lower Balama and Vidalia shipments, while for 2026 we have reduced our loss to -US$20M from -U$23M on better realised pricing for Balama graphite.

Figure 5: SYR Earnings Forecasts Changes

	2025e			2026e		
P&L US$M	**New**	***Old***	***Chng***	**New**	***Old***	***Chng***
Balama	27	*47*	*-42%*	151	*117*	*29%*
Vidalia	10	*29*	*-67%*	60	*74*	*-6%*
Sales	**37**	***76***	***-51%***	**221**	***191***	***16%***
Balama	45	*69*	*-35%*	150	*125*	*20%*
Vidalia	25	*21*	*19%*	45	*48*	*-6%*
Corporate	16	*16*	*0%*	16	*17*	*-7%*
Operating costs	85	*106*	*-21%*	211	*190*	*11%*
Balama	-19	*-22*	*nm*	2	*-9*	*nm*
Vidalia	-15	*8*	*nm*	24	*26*	*-7%*
Corporate	-16	*-16*	*-0%*	-16	*-17*	*-7%*
EBITDA	**-50**	***-30***	***nm***	**10**	***1***	***nm***
Balama	17	*17*	*0%*	17	*17*	*0%*
Vidalia	8	*8*	*0%*	8	*8*	*0%*
Corporate	0	*0*	*0%*	0	*0*	*0%*
D&A	25	*24*	*5%*	25	*24*	*5%*
Balama	-36	*-39*	*nm*	-16	*-26*	*nm*
Vidalia	-23	*2*	*nm*	16	*18*	*-10%*
Corporate	-16	*-16*	*0%*	-16	*-16*	*0%*
EBIT	**-75**	***-54***	***nm***	**-15**	***-24***	***nm***
Net interest exp (income)	20	*15*	*36%*	10	*6*	*75%*
PBT	-96	*-69*	*Nm*	-26	*-30*	*nm*
Tax	-1	*-3*	*0%*	-5	*-6*	*0%*
NPAT adj.	-94	*-66*	*Nm*	-21	*-24*	*nm*
Minority	-2	*-2*	*0%*	-1	*-1*	*0%*
NPAT adj. attrib.	**-93**	***-64***	***nm***	**-20**	***-23***	***nm***
Non-recurring items	0	*0*	*0%*	0	*0*	*0%*
NPAT reported	**-93**	***-64***	***nm***	**-20**	***-23***	***nm***

Source: Foster Stockbroking estimates.

VALUATION

Risked NPV increased to $0.50 from $0.45

- Our SYR risked share valuation increases to $0.50 from $0.45, based on 0.26x NPV_{10} nominal, as a result of better realised pricing for Balama graphite, together with lower future equity dilution due to assuming future equity raising is undertaken at higher share price than previously.

Figure 6: SYR NPV Valuation

Segment DCF 10% nominal	Unrisked A$M	A$/share	Risked A$M	A$/share	Risk Factor
Balama graphite	378	$0.30	359	$0.15	95%
Vidalia 11.25kt	286	$0.23	256	$0.11	90%
Vidalia 45kt delta	746	$0.60	634	$0.27	85%
Expansion 55kt delta e.g. Europe	912	$0.73	191	$0.04	10%
Balama vanadium	98	$0.08	10	$0.00	10%
Corporate & working capital	-232	-$0.19	-232	-$0.10	100%
IRA tax credit	236	$0.19	4	$0.01	10%
Future equity for Vidalia Stage 3	329	$0.26	329	$0.14	100%
Net cash	-299	-$0.24	-299	-$0.13	100%
Total	**2,451**	**$1.97**	**1,171**	**$0.50**	**26%**
Shares M	1,042		1,042		
Future equity for Vidalia 45ktpa M	169*		1,259**		
Performance rights M	31		31		
Fully diluted shares M	**1,242**		**2,332**		

**Unrisked future shares assumes equity raised at valuation.*
**Risked future shares assumes equity raised at near current share price.*
Source: Foster Stockbroking estimates.

RECOMMENDATION

Maintain Buy, 12-month price target $0.50 (prior $0.45)

- We maintain our Buy and increase our 12-month price-target to $0.50, based on risked valuation. Share price catalysts include:

  1) Resumption of Balama production and shipments;

  2) Improving graphite markets;

  3) First Vidalia commercial sales;

  4) Funding for Vidalia 45ktpa.

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