

18 October 2023

QUARTERLY ACTIVITIES REPORT

QUARTER ENDING 30 SEPTEMBER 2023

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

Highlights

- **99.99%** TGC graphite purity achieved by thermal purification.
- Bulk concentrate production complete; assays pending with samples to be distributed to several global labs for further purification, spheroidization and battery testing.
- Pre-Feasibility Study (PFS) for the Sarytogan Graphite Project advancing; an affordable modular approach is presently favoured.
- Exploration Drilling at the Kenesar Graphite Exploration Project complete; assays pending.
- Graphite market commentary; transition from synthetic to lower cost, environmentally friendly natural graphite forecast.



Figure 1 – Bulk Graphite Cleaner Flotation now complete in Perth, Western Australia

Sarytogan Managing Director, Sean Gregory commented:

"The highlight of the September 2023 quarter was the remarkable achievement of 99.99% graphite purity, far exceeding the grade specification for battery anodes. Importantly, the bulk concentrate production was completed on schedule and samples will be dispatched to several global laboratories for further purification, spheroidization and battery testing. The PFS is advancing, and we are pleased that the thermal purification flowsheet looks suitable for an affordable, modular approach to development. We are committed to delivering the PFS no later than Q3 2024. The graphite exploration drilling has been completed at Kenesar and we eagerly await the imminent results."

99.99% Graphite Purity Achieved

A composite sample from six diamond drill holes, 3 from the Northern graphite Zone (NGZ) and 3 from the Central Graphite Zone (CGZ) was first chemically purified by Pro-Graphite GmbH (Pro-Graphite) in Germany with breakthrough results (refer ASX Announcement 6 December 2022):

1. **84%** TGC after simple grinding and flotation;
2. **99.70%** TGC after alkaline roasting;
3. **99.70%** after acid purification (without alkaline roasting); and
4. **99.87%** TGC after alkaline-roasting and acid-purification.

A 50g sample of Sarytogan Graphite previously treated by flotation and alkaline roasting only to **99.70%** TGC (items (1) and (2) above) was sent from Pro-Graphite to a leading thermal laboratory in Ukraine for thermal purification.

The thermally purified graphite achieved **99.99%** TGC purity (Refer ASX Announcement 28 August 2023). The **99.99%** grade achieved far exceeds the typical battery anode specification of 99.95% and may also be suitable for other high-value high-purity markets that achieve even higher prices.

Bulk Concentrate Production

Our Australian laboratory partners Independent Metallurgical Operations Pty Ltd (IMO) completed the critical bulk concentrate production at their Metallurgy Pty Ltd mineral processing laboratory in Perth, Western Australia.

A composite sample was blended from 8 diamond drill holes, 5 from NGZ and 3 from the Central Graphite Zone (CGZ) at an average head-grade of **32.5%** TGC. Preliminary mining studies indicate that this is a representative head-grade for the early years of the mining schedule.

A bench scale test on this sample achieved a concentrate grade of **85.1%** Total Graphitic Carbon (TGC) at 76.6% recovery, the highest-grade concentrate achieved at this stage (Refer ASX Announcement 16th August 2023). Previous tests achieved lower concentrate grades, even from higher head-grade samples. For example, the test reported on the ASX on 12 October 2022, started with a higher head grade of **41.8%** TGC for a concentrate grade of **81.3%** (TGC) with 87.9% recovery.

The bench scale result is remarkable because it incorporates significant operational improvements developed over the last 6 months including the use of low-cost and readily available diesel as a collector and the halving of the number of regrinding and cleaner stages required.

Assays of the bulk concentrate are pending and expected soon. 3-5kg samples will be dispatched to several labs worldwide for downstream purification, spheroidization and battery testing.

Pre-Feasibility Study

The Pre-Feasibility Study led by GR Engineering Services (GRES), is progressing well. The study will evaluate two main flowsheet options; chemical and thermal (Figure 2).

At this early stage, the thermal flowsheet looks to be favoured as:

1. The grade specification for Uncoated Spherical Purified Graphite has been comfortably exceeded (**99.99%** vs 99.95% TGC).
2. A high purity (**99.99%** TGC) fine by-product will be produced for high value specialised markets.
3. The optimal thermal reactor size is about 7 ktpa, meaning a lower-capital small scale start up of one module will be possible, with future expansions almost unlimited.

Correspondingly, the smallest practical module for the first step of flotation has been determined to be 50ktpa of flotation concentrate. This is due to the exceptionally high feed grade requiring only about 150ktpa of raw ore feed. This will translate into very low operating costs for this process step.

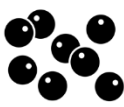
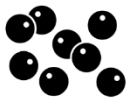
Mining	Flotation	Chemical Flowsheet Option			Anodes
 Low Strip Giant Resource 229 Mt @ 28.9% TGC ¹	 50ktpa Modules 80% TGC ² Saleable Micro-Crystalline Graphite	 Spheres to Purification Fine By-Product	 99.7% TGC ³ Achieved	 99.87% TGC ³ Achieved To Date	 Target 99.95% TGC Uncoated Spherical Purified Graphite (USPG)
		Thermal Flowsheet Option			
		 99.7% TGC ³ Achieved Wind Back To 95% TGC	 7ktpa Modules 99.99% TGC ⁴ Achieved	 USPG Product Hi-Purity Fine By-Product	

Figure 2 - Flowsheet Options for the Sarytogan Graphite Project.

Refer ASX Announcements ¹27/3/23, ²16/8/23, ³6/12/22, ⁴28/8/23.

The Sarytogan Graphite Project is expected to produce 2-3 products:

1. Micro-crystalline graphite at **80%** TGC after flotation for industrial uses
2. Uncoated Purified Spherical Graphite (USPG) at **99.95%** TGC for battery anodes; and
3. In the thermal flowsheet option, high purity fines at **99.95%** for advanced uses.

The Geotechnical Program of 8 holes at Sarytogan was completed during the quarter (Figure 3) and the results will inform pit designs. A preliminary mine schedule has identified two initial mining areas; one in the Indicated Mineral Resource at NGZ and one in the CGZ, which will be more than sufficient for a very-long mine-life given the giant scale of the **229Mt @ 28.9%** TGC Mineral

Resource for 66Mt of contained graphite (refer ASX Announcement 27th March 2023) compared to the proposed initial module size of 50ktpa graphite concentrate.

A further 3 hydrogeological bores are being drilled to compliment the 3 bores drilled last quarter in alluvial channel above a fractured rock aquifer 4km to 18km north of the project.

The Pre-Feasibility Study is scheduled for completion no later than Q3 2024.

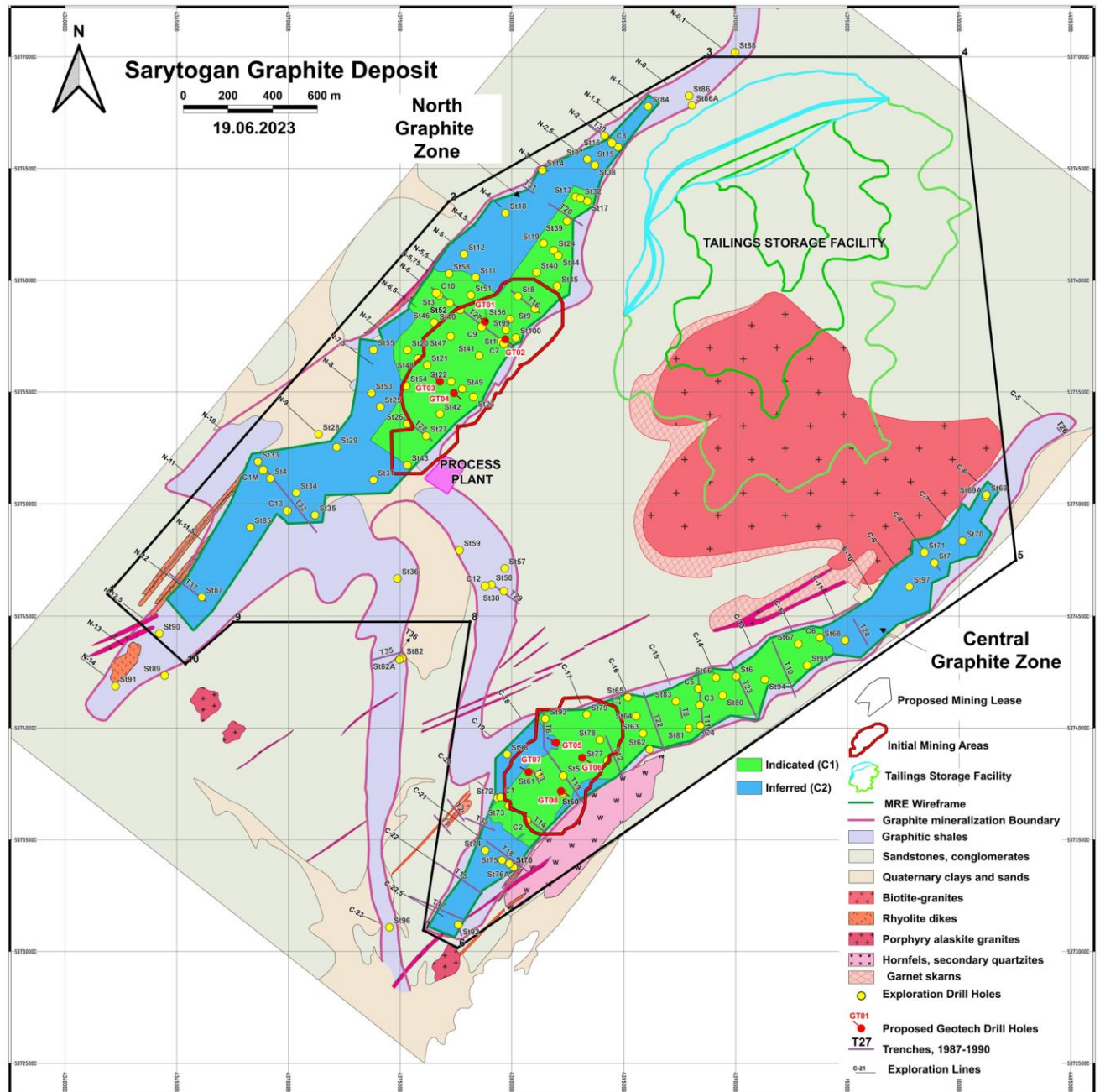


Figure 3 - SarytoGAN Graphite Deposit Proposed Mine Layout Over Geology.

Kenesar Graphite Exploration Project

The maiden first-pass exploration drilling campaign at the Kenesar Graphite Exploration Project has just been completed.

The program comprised of initial scout drilling using water-transported core drilling (KGK drilling) and follow up diamond drilling.

368 KGK drill holes over 12 lines for 9,071 m were completed at an average depth of 25 meters (Figure 4). The drill lines targeted the rock conductivity anomalies identified by the Time Domain Electro-Magnetic (TDEM) survey conducted earlier this year (refer ASX Announcement 27 June 2023). The drilling method is designed to penetrate the weathered overburden and allow the bedrock to be mapped.

Prospective geology identified from the KGK drilling was then targeted with 7 follow up HQ diamond drill holes for 863.6m at an average depth of 123m.

Assays are pending and will be announced once they are available soon.

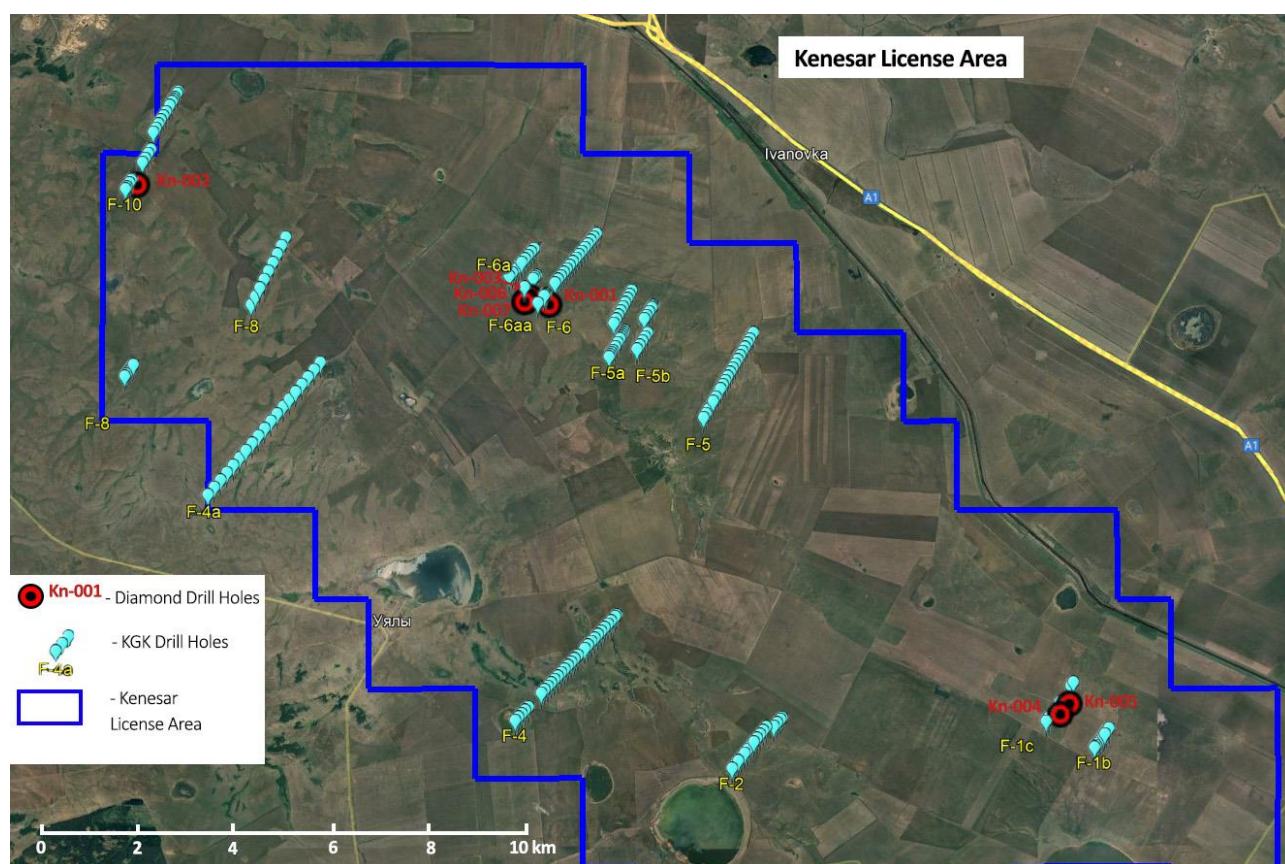


Figure 4 – Drill hole locations at the Kenesar Graphite Exploration Project

Graphite Market Commentary

Sarytogan Managing Director Sean Gregory represented the Company at the Benchmark Mineral Intelligence Gigafactories Asia Pacific Conference in Tokyo in September. There were three key takeaways from the conference relevant to the graphite market:

1. The forecast supply shortage in the natural graphite market, despite the current oversupply.
2. The need for green and sustainable sources of battery raw materials.
3. The need for western economies to secure supplies of critical raw materials including graphite for battery anodes which is presently almost exclusively sources from China.

The graphite market for 2023 has been challenging with Fastmarkets reporting fine flake graphite prices of US\$530-606 per tonne on 21 September 2023 (94% C, -100 mesh, FOB China), down by 32% from the beginning of this year. Similarly, USPG was US\$2,000-2,200 per tonne on the same day, down by 21% from the beginning of this year.

The main reason for the decline in graphite prices has been that despite the growth in demand from electric vehicle batteries, a glut of Chinese artificial graphite has oversupplied the market. The artificial graphite is pre-qualified for use in battery anodes and has been able to be rapidly brought to market. The proportion of artificial graphite increased from a typical 60%-70% in the battery anode market to 85-90% of the market in H1 2023 (Figure 5, Fastmarkets 15/8/23).

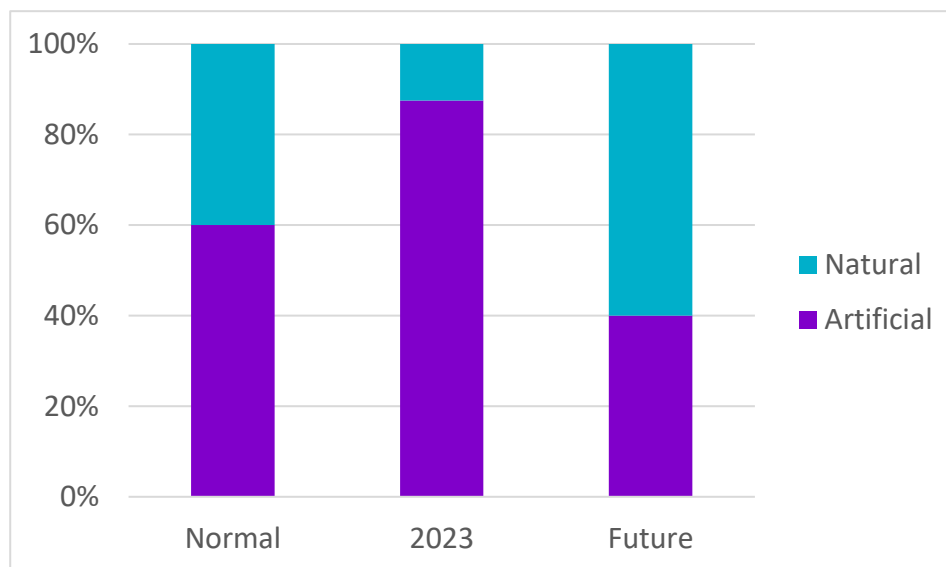


Figure 5 - Active Anode Material Market Share - Natural vs Artificial Graphite

The market is expected to favour natural graphite in the medium-term as it can be made with far less energy meaning significant cost savings and lower CO₂ emissions. Artificial graphite requires enormous amounts of energy to graphitize fossil fuel by-products including petroleum coke by heating with direct electrification to 3,000 degrees Celsius for 2-3 weeks. In contrast, natural graphite has already been graphitized for free over geological millennia.

Natural graphite typically has a higher energy density and faster charging speeds than artificial graphite in lithium-ion batteries. It is suitable for use in all battery types and is particularly favoured to match LFP anode chemistries which are forecast to be the fastest growing battery type due to their lower cost and reduced exposure to critical minerals like nickel and cobalt.

The European Union (EU) Battery Regulation was amended by the EU Council in July 2023. From 1 February 2025, all batteries larger than 2 kWh sold in the EU must have a unique serial number and

third-party verified CO₂ footprint published online. Further comprehensive provenance, performance and environmental metrics will be progressively added thereafter,

The EU is actively seeking finding reliable partners for the supply of battery raw materials and earlier this year signed a MOU with Kazakhstan to cooperate on the supply from Kazakhstan to Europe.

In The United States of America (USA), their August 2022 Inflation Reduction Act offers automakers a tax credit of US\$7,500 per unit for electric vehicles that can demonstrate that 50% of the battery raw materials are sourced from USA free trade agreement partners and no battery raw materials are sourced from foreign entities of concern, such as China. As far as graphite is concerned, this is presently almost impossible to achieve with China dominating supply with 64% of the mining, 99% of spheroidization, and 89% of anode manufacture (Benchmark Mineral Intelligence). Sarytogan Graphite from Kazakhstan offers an alternative non-Chinese supply.

Natural graphite is therefore forecast to capture 60% of the battery anode market (up from 10-15% in H1 2023), giving it "a bigger slice of a bigger pie". Benchmark Mineral Intelligence forecast 650% growth in natural graphite from 2022 to 2035 requiring 97 new average sized 56kt mines (2022 infographic).

Corporate

As at quarter end on 30 September 2023, the Company had A\$6.6M in cash.

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

1. ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure spend during the quarter was \$838,000 materially comprising drilling, assay and metallurgical expenses.
2. ASX Listing Rule 5.3.2: There were no substantive mining production and development activities during the quarter.
3. ASX Listing Rule 5.3.3:
 - a. The Sarytogan Graphite Deposit exploration licence 1139-R-TPI (1139-P-ТПИ) was issued to Ushtogan LLP on 14/08/2018 and confirmed by 5406-TPI (5406-ТПИ) contract on 26/10/2018. The contract was extended in June 2022 for a further 3 years to June 2025. The exploration concession covers 70 km². There was no change to the Company's 100% interest in the licence since the last quarter.
 - b. The Kenesar Graphite Exploration Project exploration licence 1968-EL was issued to Ushtogan LLP on 28/02/2023 for a period of six years to February 2029. The exploration concession covers 150 graticular blocks or 309km². There was no change to the Company's 100% interest in the licence since the last quarter.
4. ASX Listing Rule 5.3.4: the progress towards spending the funds relative to the proposed use of funds (ie. what is set out in Section 6(e) of the SGA supplementary prospectus and any material variance between anticipated expenditure and actual expenditure is set out in Table 1.
5. ASX Listing Rule 5.3.5: Payment to related parties of the Company and their associates during the quarter as set out in Section 6.1 of the attached Appendix 5B relate to director salaries and fees in the quarter.

Table 1 - Reconciliation of expenditure to date vs that projected in the Company's Supplementary Prospectus.

IPO allocation of funds	Projected Amount (A\$)	Actual expenditure to date (A\$)
Drilling	2,200,000	1,028,341
Assays	550,000	299,435
Metallurgical Testwork	500,000	356,982
Consulting Fees	550,000	188,434
Scoping, Pre-Feasibility Studies	450,000	214,931
Environmental Studies	150,000	21,210
Transportation	175,000	174,699
Equipment	150,000	213,173
Working Capital & Wages	1,354,627	1,562,309
Accommodation and Storage	250,000	106,798
Administration	450,000	873,706
New tenement (Kenesar)	0	547,273
Taxes	300,000	117,385
Working Capital Loan Repayment	839,187	836,995
Brokerage	519,572	536,754
Accrued administration costs (unpaid director fees)	317,008	290,548
Expenses of the Offer	75,000	90,000
Total	8,830,394	7,458,973

Next Steps

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

Assays from the completed bulk flotation concentrate production are expected soon. 3-5kg samples will be dispatched to several global labs for further purification, spheroidization and battery testing.

The PFS for the Sarytogan Graphite Project is continuing with completion forecast no later than Q3 2024.

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

Sean Gregory

Managing Director

admin@sarytogangraphite.com

About Sarytogan

The Sarytogan Graphite Deposit is in the Karaganda region of Central Kazakhstan. It is 190km by highway from the industrial city of Karaganda, the 4th largest city in Kazakhstan (Figure 6).



Figure 6 - Sarytogan Graphite Deposit and Kenesar Graphite Exploration Project locations.

The Sarytogan Graphite Deposit was first explored during the Soviet era in the 1980s with sampling by trenching and diamond drilling. Sarytogan's 100% owned subsidiary Ushtogan LLP resumed exploration in 2018. An Indicated and Inferred Mineral Resource has recently been estimated for the project by AMC Consultants totalling **229Mt @ 28.9% TGC** (Table 2, refer ASX Announcement 27 March 2023). Sarytogan has upgraded the mineralisation to **99.87%** purity by chemical purification (refer ASX Announcement 6 December 2022) and to **99.99%** purity by thermal purification (refer ASX Announcement 28/8/2023). A PFS as part of its strategy to supply high-quality anode pre-cursor material for the rapidly growing electric vehicle battery market is well advanced and scheduled for completion no later than Q3 2024.

The Company is also exploring the recently pegged and highly prospective 309 km² Kenesar Graphite Exploration Project in northern Kazakhstan (Figure 6).

Table 2 - Sarytogan Graphite Deposit Mineral Resource (> 15% TGC).

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

Compliance Statement

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

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

Appendix 5B

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

Name of entity

Sarytogan Graphite Limited

ABN

91 107 920 945

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(194)	(194)
	(e) administration and corporate costs	(246)	(246)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	58	58
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(381)	(381)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(838)	(838)
	(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 \$A'000	Year to date (3 months) \$A'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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(838)	(838)

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	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,773	7,773
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(381)	(381)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(838)	(838)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	17	17
4.6	Cash and cash equivalents at end of period	6,571	6,571

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,571	1,773
5.2	Call deposits	5,000	6,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,571	7,773

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	205
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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

7. Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(381)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(851)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,232)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,571
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,571
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	5.3
<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>	
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: N/A	
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: N/A	

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: N/A

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: 18 October 2023

Authorised by: The Board of Directors
(Name of body or officer authorising release – see note 4)

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.