Battery bust prompts Syrah to cut output 66pc

There is no guarantee the production cuts will be the last, with Syrah conducting a review of its operating plans for 2020, and signalling a desire to reduce spending.

Syrah said graphite prices had averaged $US400 per tonne since June 30; down from $US457 per tonne in the previous three months and $US469 per tonne in the early months of 2019.

Syrah's unit cost of production at Balama, excluding extra costs like freight and administration, was $US567 per tonne in the first half, meaning it is a long way from breaking even at current prices.

A feasibility study published by Syrah in 2015 assumed that graphite prices would average $US1000 per tonne over the life of the mine.

In that feasibility study Syrah cited research by external price providers as giving it confidence that its graphite could sell for between $US1000 and $US1600 per tonne between 2015 and 2019.

The graphite price slump was blamed on numerous factors, some of which are familiar to investors in other battery minerals like lithium; enthusiasm about the future adoption of electric vehicles led to a sharp increase in production of commodities (like graphite) that go into batteries.

The increased graphite supply has coincided with a surprising slump in demand from Chinese battery manufacturers, with the weak demand blamed on changes to electric vehicle subsidies in China this year.

Syrah also nominated some less familiar factors that were affecting graphite prices, pointing to the recent depreciation of the Chinese currency.

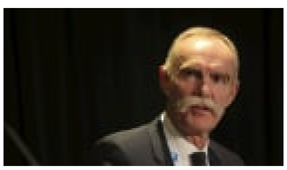
"Concern over potential further decline is placing downward pressure on $US denominated pricing negotiations with Chinese customers,'' said Syrah in a statement to the ASX.

The slump in prices is at odds with Syrah's expectations for 2019; the miner told investors in January it expected prices of $US500 to $US600 per tonne in the early months of 2019, adding that prices would be "trending upwards".

In June Syrah conducted its fifth equity raising in less than four years, and as a result its cash balance has been closely watched by investors.

The graphite miner said on Tuesday its cash balance would likely be $US60 million at September 30; lower than the $US64 million it had promised.

The production cuts announced on Tuesday have been made possible by AustralianSuper's unflagging support for Syrah.



The nation's biggest pension fund is Syrah's biggest shareholder with a 16.52 per cent stake that has been built since it entered the register in July 2013.

AustralianSuper provided more than half the $111.6 million that Syrah raised in June, when the pension fund agreed to subscribe for more shares, loan the company money and even offered to underwrite the raising if it fell short.

That raising was designed to give Syrah the ability to manage its business for the best long term outcomes, rather than for short term cashflow needs.

Syrah managing director Shaun Verner took advantage of that support with Tuesday's production cuts.

''Although a difficult decision, we believe that this action is in the best interests of shareholders to preserve long term value,'' he said in a statement, highlighting that Balama was the world's biggest graphite resource with 50 years of production ahead.

''Our available liquidity and cost reduction initiatives allow for flexibility to manage our near term production volumes in line with demand growth and to ensure that price premiums reflect Syrah's long term supply of high quality graphite."