

31 July 2015



QUARTERLY ACTIVITIES REPORT – PERIOD ENDING 30 JUNE 2015

Highlights:

- **Balama Graphite Project Feasibility Study finalised; confirms Balama as a project with low capital intensity, low technical risk and attractive returns**
- **Environmental Licence and Land Access (DUAT) Licence granted by the Ministry of Land, Environment and Rural Development (MITADER)**
- **Commenced Front End Engineering and Design to further optimise and de-risk the development plan for the Balama Graphite Project and bring greater certainty to the timing of procurement of key capital equipment**
- **Internal Economic Assessment on the economics of a proposed Spherical Graphite Facility in the United States completed**
- **Changed the Company's financial year end from 30 June to 31 December, effective from 1 July 2015**

SUMMARY

During the quarter, Syrah Resources (ASX:SYR) successfully finalised the Feasibility Study and received key regulatory approvals for its graphite project in Mozambique (Balama Project). These achievements represent significant milestones in Syrah's progression to becoming one of the leading suppliers of high quality graphite to key industrial and technology markets.

In addition, Syrah believes that targeting high margin, processed graphite products will be a highly value accretive strategy. Accordingly, Syrah has completed an Internal Economic Assessment (IEA) on the world's largest Coated Spherical Graphite Facility in the United States.

Finally, Syrah has also resolved to change the Company's financial year from 30 June to 31 December effective from 1 July 2015 in order to align its financial year with its wholly owned subsidiary, Twigg Exploration and Mining Limitada (TEML), which holds the Balama Project in Mozambique.

BALAMA GRAPHITE PROJECT (100%)

Feasibility Study

During May 2015, the Feasibility Study for the Balama Project was finalised. The author and key contributor of the Feasibility Study was Snowden Mining Industry Consultants, with input from technical specialists including China Aluminum International Engineering Corporation Limited (Chalieco); Changsha Engineering and Research Institute Ltd of Nonferrous Metallurgy, Coastal & Environmental Services, Knight Piesold; SRK Consulting, Intech Engineers and Digby Wells.

The Feasibility Study highlights the low technical risk and attractive economic returns of the Balama Project. The key results of the Feasibility Study for the Project are summarized in the following table:

Operational metrics			Financial metrics		
	Unit			Unit	
Operational period	years	42	Total initial capital expenditure	US\$ m	138
Plant feed rate	tpa	2,000,000	Weighted average basket graphite price	US\$/t (FOB) ¹	1,000
Average strip ratio (life of mine)	ratio	0.04	Average operating cash costs over life of mine ²	US\$/t product (FOB) ¹	286
Average head grade (life of mine)	%	16.2	Average annual unlevered project free cash flow ³	US\$ m	158
Average recovery (life of mine)	%	92.5	Post-tax NPV (10% discount rate)	US\$ m	1,125
Average production (life of mine) - 95% TGC	tpa	313,000	Internal rate of return (IRR)	%	71
			Payback period	years	< 2

Note 1: FOB from the Port of Nacala

Note 2: Excluding royalties and taxes

Note 3: Over first 10 years at full production

Table 1 – Key operational and financial metrics of the Balama Graphite Feasibility Study

As part of the Feasibility Study, a JORC 2012 compliant Proved and Probable graphite Ore Reserve was also declared, comprising of 81.4 million tonnes at an average grade of 16.2% total graphitic carbon (TGC) (using a 9% TGC cut-off grade). This Ore Reserve constitutes 13.2 million tonnes of contained flake graphite, making the Balama Project the world's largest reserve of flake graphite. This Ore Reserve provides sufficient inventory to support operations (after project ramp up) for over 40 years. Refer ASX announcement dated 29 May 2015 for further details on the Balama Feasibility Study and Ore Reserve and Page 6 of this announcement.

Regulatory approvals

During the quarter, the Environmental Licence and Land Access (DUAT) Licence for the Balama Project were granted by the Ministry of Land, Environment and Rural Development (MITADER). Key regulatory approvals that have been received now include:

- Mining Concession (granted on 6 December 2013 for a period of years and is renewable for a further 25 years)
- Water Licence
- Environmental Licence
- Land Access (DUAT) Licence.

With the granting of the DUAT, Syrah can now proceed its farmland relocation plans in order to commence the clearing of land for mine development including mine pits, haul roads, run-of-mine pad, tailings storage facility, plant area and supporting infrastructure as well as the accommodation camp. Clearing of the processing plant site for the Balama Project was completed during July 2015.

Internal Economic Assessment for coated spherical graphite

Syrah also completed during the quarter an Internal Economic Assessment (IEA) on a proposed Coated Spherical Graphite Facility in the United States. The Spherical Graphite IEA incorporates a 25,000 tpa Coated Spherical Graphite Facility, requiring 50,000 tpa of -100 US mesh graphite as feed. The size of such a facility would make it larger than any currently in existence. In addition, 25,000 tpa of 95% TGC recarburiser by-product will also be produced as part of the spheroidisation process. The key results of the IEA are summarized in the following table:

Operational metrics			Financial metrics		
	Unit			Unit	
Raw material (-100 US mesh graphite)			Total initial capital expenditure		
For 23 micron spherical graphite	tpa	25,000	23, 16 & 10 micron coated spherical graphite	US\$ m	73
For 16 & 10 micron spherical graphite	tpa	25,000	95% TGC recarburiser	US\$ m	7
					<u>80</u>
Recovery			Price assumptions (coated spherical graphite)		
d50 23 micron spherical graphite (99.95% C)	tpa	50.0%	d50 23 micron (99.95% C)	US\$/t (FOB)	7,000
d50 16 micron spherical graphite (99.95% C)	tpa	37.5%	d50 16 micron (99.95% C)	US\$/t (FOB)	7,000
d50 10 micron spherical graphite (99.95% C)	tpa	12.5%	d50 10 micron (99.95% C)	US\$/t (FOB)	8,000
Coated spherical graphite product			Operating cash costs ¹		
d50 23 micron (99.95% C)	tpa	12,500	d50 23, 16 & 10 micron spherical graphite	US\$/t product (FOB)	3,200
d50 16 micron (99.95% C)	tpa	9,375	By-product credits - 95% TGC recarburiser ²	US\$/t product (FOB)	<u>(465)</u>
d50 10 micron (99.95% C)	tpa	3,125			2,735
95% TGC recarburiser by-product	tpa	25,000	Annual unlevered pre-tax project free cash flow	US\$ m	104

Note 1: Includes raw material input costs at an assumed market price of US\$800/t (FOB Port of Nacala) from the Balama Project.

Note 2: A selling price of US\$1,000/t FOB has been assumed for 95% TGC recarburiser.

Table 2 – Key operational and financial metrics of the Coated Spherical Graphite IEA

The IEA considers the production of three different coated spherical graphite specifications in order to target the grid storage, hybrid/electric vehicle and consumer electronics markets which are forecast to drive graphite demand growth,

In addition, residual raw material (-100 US mesh graphite) from the spheroidisation process will be turned into high quality recarburiser briquettes that will be marketed to regional iron and steel producers. Refer ASX announcement dated 18 June 2015 for further details on the Spherical Graphite IEA.

Funding

The Company is well advanced in its discussions in relation to proposed financing for the Balama Project and expects to commence the development phase during the September 2015 quarter subject to the necessary financing arrangements being put in place. The Company requested an immediate trading halt of its securities on 31 July 2015 pending the release of an announcement in relation to a potential material capital raising. Further details regarding the proposed financing arrangements will be announced shortly.

Change in financial year

Syrah has also resolved to change the Company's financial year from 30 June to 31 December, effective from 1 July 2015, in order to align its financial year with its wholly owned subsidiary, TEMPL, which holds the Balama Project in Mozambique.

The Company's current financial year will end on 30 June 2015 and there will be a six month transitional financial year beginning on 1 July 2015 and ending on 31 December 2015. Syrah will thereafter revert to a twelve month financial year, commencing on 1 January and ending on 31 December.

Licences

The following table lists current licenses held by Syrah Resources and its subsidiaries as at 30 June 2015:

Project	License Number	License Type	Country	Interest acquired/farm-in during the quarter	Interest disposed/farm-out during the quarter
Balama	6432C	Mining Concession	Mozambique	-	-
Balama ¹	5684L	Prospecting Licence	Mozambique	-	-
Botswana	347/2014	Prospecting Licence	Botswana	-	-
Botswana	348/2014	Prospecting Licence	Botswana	-	-
Botswana	349/2014	Prospecting Licence	Botswana	-	-
Botswana	350/2014	Prospecting Licence	Botswana	-	-
Mount Lyndhurst ²	EL 4790	Exploration Licence	Australia	-	-
Mount Lyndhurst South ²	EL 4791	Exploration Licence	Australia	-	-
Sasare North	17904-HQ-LPL	Large Scale	Zambia	-	-

Note 1: Syrah has entered into a tenement sale agreement (TSA) for the acquisition of a tenement (Tenement) in Balama from a third party (Seller). Under the TSA, Syrah may be required to issue to the Seller, as part of the contingent consideration for the acquisition of the Tenement, up to US\$2.0 million of fully paid ordinary shares (Sale Shares) in various tranches, with the number of Sale Shares under each tranche to be calculated based on the 30 day volume weighted average price of Syrah shares prior to the issue date. The Sale Shares (if issued) will rank equally with Syrah's existing shares, and will not be issued to an existing class of security holders in Syrah. It is not expected that security holder approval will be required for the issue of Sale Shares.

Note 2: The Mount Lyndhurst licences are 50% owned by Syrah Resources Limited and 50% owned by the Joint Venture Partner (Zurich Resources Pty Ltd). All other licences are owned by wholly owned subsidiaries of Syrah Resources Limited.

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About Syrah Resources

Syrah Resources (ASX code: SYR) is an Australian resource company that is rapidly progressing its flagship Balama Graphite and Vanadium Project in Mozambique to production. The Project hosts the largest graphite ore reserves in the world with an Australasian Joint Ore Reserves Committee (JORC) compliant Ore Reserve of 81.4 Mt at 16.2% total graphitic carbon. Balama is a 110 km² granted Mining Concession located within the Cabo Delgado province in the district of Namuno in northern Mozambique. The Project is approximately 260 km by road west of Pemba and is accessible by a sealed, main road, running directly from Pemba Airport. The Port of Nacala is approximately 490 km by road south east of the Project and is the deepest port in Southern Africa.

Mineral Resources and Ore Reserves

The information in this report that relates to Mineral Resources and Ore Reserves is extracted from the report titled "Syrah finalises Balama Graphite study and declared maiden ore reserve" released to the ASX on 29 May 2015 and available to view at www.syrahresources.com.au and for which Competent Person's consents were obtained. The Competent Person's consents remain in place for subsequent releases by the Company of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement released on 29 May 2015, and in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the original ASX announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original ASX announcement.

Full details are contained in the ASX release dated 29 May 2015 "Syrah finalises Balama Graphite study and declared maiden ore reserve" available at www.syrahresources.com.au

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

SYRAH RESOURCES LIMITED

ABN

77 125 242 284

Quarter ended ("current quarter")

30 JUNE 2015

Consolidated statement of cash flows

	Current quarter \$A	Year to date (12 months) \$A
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(3,821,728)	(15,503,020)
(b) development	-	-
(c) production	-	-
(d) administration *	(1,715,495)	(6,329,578)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	45,212	325,032
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(5,492,011)	(21,507,566)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects/farm-ins	-	(100,000)
(b) equity investments	-	-
(c) other fixed assets	(455,172)	(3,069,330)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities – Jacana Minerals Ltd	-	(500,000)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(455,172)	(3,669,330)
1.13 Total operating and investing cash flows (carried forward)	(5,947,183)	(25,176,896)

* The major administration costs during the quarter included general corporate costs, salaries and wages, accounting fees, legal fees and travel expenses.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,947,183)	(25,176,896)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares and exercise of options	-	4,320,714
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Capital raising costs	-	(12,876)
	Net financing cash flows	-	4,307,838
	Net increase (decrease) in cash held	(5,947,183)	(20,869,058)
1.20	Cash at beginning of quarter/year to date	14,978,106	29,007,250
1.21	Demerger of Jacana Minerals Limited	-	(61,553)
1.22	Exchange rate adjustments to item 1.20	(99,748)	854,536
1.22	Cash at end of quarter	8,931,175	8,931,175

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	\$336,915
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The above related party payments include Salaries and Superannuation paid to directors and/or director related entities during the June 2015 quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter*

	\$A'000
4.1 Exploration and evaluation	\$2,532
4.2 Development	\$9,043
4.3 Production	
4.4 Administration	\$3,194
Total	\$14,769

* The Company expects to commence the development phase of the Balama Graphite Project during the September 2015 quarter, and the estimated cash outflows are subject to the necessary financing arrangements being put in place. The Company requested an immediate trading halt of its securities on 31 July 2015 pending the release of an announcement in relation to a potential material capital raising. Further details regarding the proposed financing arrangements will be announced shortly.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	8,891	14,915
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other – Bank Term Deposits	40	63
Total: cash at end of quarter (item 1.22)	8,931	14,978

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	-	-	-	-
7.2	-	-	-	-
7.3	165,223,076	165,223,076	Fully Paid	Fully Paid
7.4	-	-	-	-
7.5	-	-	-	-
7.6	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		800,005	-	\$0.22	15 December 2015
		22,000	-	\$2.17	16 July 2016
		250,000	-	\$2.86	12 June 2016
		500,000	-	\$5.46	19 May 2019
		2,800,000	-	\$6.31	2 October 2019
		1,200,000	-	\$4.13	28 January 2018
		250,000	-	\$0.00	27 April 2017
		500,000	-	\$5.45	7 May 2018
		300,000	-	\$5.04	9 June 2018
7.8	Issued during quarter				
		250,000	-	\$0.00	27 April 2017
		500,000	-	\$5.45	7 May 2018
		300,000	-	\$5.04	9 June 2018
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 July 2015

Company Secretary

Print name: MELANIE LEYDIN

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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