

30 October 2015



## QUARTERLY ACTIVITIES REPORT – PERIOD ENDING 30 SEPTEMBER 2015

### Highlights:

- **Successful completion of a fully underwritten A\$211 million capital raising to advance the Balama Project**
- **Balama Project development activities are underway and development timelines remain on track with substantial progress attained since project approval**
- **Key long lead capital items for the processing plant have been procured; remaining key long lead processing equipment will be ordered by the end of November 2015 as planned**
- **Sales negotiations are progressing globally with various graphite traders and end customers**
- **Positive feedback continues to be received from potential customers confirming the superior quality of Balama spherical graphite**

### SUMMARY

During the quarter, Syrah Resources (ASX:SYR) successfully completed a fully underwritten A\$211 million capital raising to advance the development of the Balama Project (Balama). Syrah is now focused on progressing development activities to ensure that the development timeline for Balama remains on track. Concurrently, Syrah is also negotiating several natural flake graphite sales agreements globally, and continues to progress its spherical graphite and recarburiser development.

### BALAMA GRAPHITE PROJECT (100%)

#### Funding

During August 2015, Syrah successfully completed a fully underwritten A\$211 million capital raising to institutional investors and existing shareholders. The proceeds will be predominantly used to fund the development of Balama, as well as general administrative costs and studies relating to future potential projects.

## Development activities

Syrah is aggressively pushing ahead with the planning and execution of project development activities to ensure that Balama remains on track to commence commissioning of the processing plant in late 2016 and production ramp up in Q1 2017. Substantial progress have been attained since project approval which include:

- Farmland relocation and land clearing for the construction of the processing plant has been completed
- Construction License has been approved and the bulk earthworks and civil works for the processing plant site has commenced, with substantial completion targeted prior to the wet season in November 2015
- Front End Engineering Design (FEED) on the processing plant has been completed and detailed engineering design is progressing as planned with a number of significant milestones achieved
- Successful trials have been undertaken to determine the optimal drying, filtering and thickening equipment and the majority of vendor test work has been completed
- Test work completed in Brazil has confirmed the process route and supported results obtained from previous test work
- Key long lead capital items for the processing plant such as the primary crusher, primary grinding and secondary mills, polishing mills, wet vibrating screen and screw classifier have been ordered and will be available to meet the Q1 2017 production schedule. Other remaining long lead processing equipment will be ordered by the end of November 2015 as planned
- Closure of the tender for the procurement of the Balama Power Station
- Long term service contracts for catering and medical support have been awarded and expressions of interest are currently being sought for the mining, fuel supply and product transport contracts
- Appointment of a Construction Manager, Civil Superintendent, Environment Specialist and Mine Services Manager to support the expansion in project activities at Balama
- Finalised plans to expand the current accommodation village to meet future requirements for construction and operations readiness
- Ongoing social responsibility projects for local communities and successful management of interfaces with Mozambican authorities continues.



**Figure 1: Excavated area for the Balama processing plant**



**Figure 2: Bulk earthworks at the Balama processing plant site**



**Figure 3: Examples of screw classifier, mill, ore scrubber and flotation cell mechanism ordered by Syrah (clockwise from top left)**

## Marketing activities

Syrah is currently in negotiations with various graphite traders and end customers globally in relation to sales of natural flake graphite. A marketing office is also being established in the United Arab Emirates that will coordinate and manage Syrah's marketing, sales and logistics activities once operations commence.

Feedback from anode producers, battery producers and electric vehicle manufacturers regarding Balama spherical graphite samples continue to be positive. Subject to satisfactory completion of customer due diligence, Syrah will seek to finalise sales or marketing agreements for spherical graphite with a number of these parties.

## Licenses

The following table lists current licenses held by Syrah Resources and its subsidiaries as at 30 September 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 <sup>1</sup>	5684L	Prospecting License	Mozambique	-	-
Botswana	347/2014	Prospecting License	Botswana	-	-
Botswana	348/2014	Prospecting License	Botswana	-	-
Botswana	349/2014	Prospecting License	Botswana	-	-
Botswana	350/2014	Prospecting License	Botswana	-	-
Mount Lyndhurst <sup>2</sup>	EL 4790	Exploration License	Australia	-	-
Mount Lyndhurst South <sup>2</sup>	EL 4791	Exploration License	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 licenses are 50% owned by Syrah Resources Limited and 50% owned by the Joint Venture Partner (Zurich Resources Pty Ltd). All other licenses are owned by wholly owned subsidiaries of Syrah Resources Limited.

**Tolga Kumova**

Managing Director

Syrah Resources Limited

Office Contact - +61 3 9670 7264

Mobile Contact - +61 421 707 155

Email – t.kumova@syrahresources.com.au

**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 km<sup>2</sup> 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.*

# 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 SEPTEMBER 2015

### Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(19)	(19)
(b) development	(4,818)	(4,818)
(c) production	-	-
(d) administration *	(1,856)	(1,856)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	35	35
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(6,658)</b>	<b>(6,658)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects/farm-ins	-	-
(b) equity investments	-	-
(c) other fixed assets	(30)	(30)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities – Jacana Minerals Ltd	-	-
1.11 Loans repaid by other entities – Jacana Minerals Ltd	300	300
1.12 Proceeds from (payments for) term deposit	85	85
<b>Net investing cash flows</b>	<b>355</b>	<b>355</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(6,303)</b>	<b>(6,303)</b>

\* 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)	(6,303)	(6,303)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares and exercise of options	210,890	210,890
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	(8,816)	(8,816)
	<b>Net financing cash flows</b>	202,074	202,074
	<b>Net increase (decrease) in cash held</b>	195,771	195,771
1.20	Cash at beginning of quarter/year to date	8,931	8,931
1.22	Exchange rate adjustments to item 1.20	6,803*	6,803*
1.22	<b>Cash at end of quarter</b>	211,505	211,505

\* The exchange rate adjustments referred to in 1.22 above, includes foreign exchange gains on the capital raising proceeds which were converted into United States Dollars (USD) on 12 August 2015.

**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	\$185,561
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, superannuation and consultancy fees paid to directors and/or director related entities during the quarter ended 30 September 2015.

**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

+ See chapter 19 for defined terms.



### 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	\$187
4.2 Development	\$26,062
4.3 Production	-
4.4 Administration	\$2,384
<b>Total</b>	<b>\$28,633</b>

### 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	211,424	8,891
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other – Bank Term Deposits	81	40
<b>Total: cash at end of quarter (item 1.22)</b>	<b>211,505</b>	<b>8,931</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**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	230,461,861	230,461,861	Fully Paid	Fully Paid
7.4	375,000	375,000	22 cents	22 cents
	64,863,785	64,863,785	325 cents	325 cents
7.5	-	-	-	-
7.6				

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+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		425,005	-	\$0.17	15 December 2015
		22,000	-	\$2.12	16 July 2016
		250,000	-	\$2.81	12 June 2016
		500,000	-	\$5.41	19 May 2019
		2,800,000	-	\$6.26	2 October 2019
		1,200,000	-	\$4.08	28 January 2018
		250,000	-	\$0.00	27 April 2017
		500,000	-	\$5.40	7 May 2018
		300,000	-	\$4.99	9 June 20018
7.8	Issued during quarter				
7.9	Exercised during quarter	375,000		\$0.22	15 December 2015
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <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: 30 October 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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