

29 January 2016



QUARTERLY ACTIVITIES REPORT – PERIOD ENDING 31 DECEMBER 2015

Highlights:

Balama Project Construction Progress:

- Development of the Balama Project remains on schedule and budget, with engineering and procurement activities significantly progressed
- Commenced pre-stripping of the Balama West orebody
- All principal mechanical equipment has been purchased and is in various stages of manufacture
- Bulk earth works have been completed at the process plant site and access road construction is nearly complete
- Power station contract has been awarded
- Process plant concrete works scheduled to commence in February 2016

Marketing Agreements Progress:

- 10 year Statement of Sales Intent (SSI) signed with one of the world's largest refractory producers for up to 15,000 tonnes per annum (tpa)
- 20 year Technology Licensing Agreement finalised with Morgan Hairong AM&T Co., Ltd (Morgan Hairong) which grants Syrah the exclusive right to use Morgan Hairong's proprietary spherical graphite coating technology globally (excluding China)
- 3 year Product Sales Agreement signed with Morgan Hairong for Syrah to supply 2,000 tpa of uncoated spherical graphite
- 3 year Marketing Agreement signed with Morgan Hairong for Syrah to supply 5,000 tpa of uncoated spherical graphite and 2,000 tpa of coated spherical graphite
- 5 year SSI signed with Hiller Carbon for 25,000 tpa and up to 35,000 tpa of Balama recarburiser to be purchased and resold exclusively in the United States, Canada and Mexico

BALAMA GRAPHITE PROJECT (100%)

Development activities

The Balama Project remains on track to commence commissioning of the processing plant in late 2016 and production ramp up in Q1 2017. Engineering and procurement activities are significantly progressed and are currently on schedule and within budget. Key activities that have been completed and currently underway include:

- Commenced pre-stripping of the Balama West orebody
- Electrical equipment has been tendered and all principal mechanical equipment has been purchased, and is in various stages of manufacture.
- Bulk earth works have been completed at the process plant site and is being prepared for concrete works; the first significant concrete pour will be for the crushed run-of-mine (ROM) ore silo foundations
- Construction of the 7km fully sealed access road is nearly completed
- Construction of the final accommodation camp has commenced, for completion in Q2 2016
- Power station contract has been awarded for the delivery of a 10 MW facility that will supply power to the processing plant and all other infrastructure. It is designed to accommodate further expansion
- Tenders for the laboratory, product transport, fuel supply and bulk storage facility are currently being reviewed
- Continued upgrading of medical facilities on site, including an second ambulance
- Relocation of farm lots is substantially complete and Syrah's relocation program has been recognised in Mozambique as a leading example of how such programs should be implemented
- Ongoing recruitment of key construction and operational staff with a number of positions being awarded to highly qualified Mozambican nationals.



Figure 1: Cleared process plant site with completed bulk earthworks



Figure 2: Pre-stripping of Balama West orebody



Figure 3: First excavation for ore silo foundations



Figure 4: Culvert construction at the access road



Figure 5: Pouring of floor slab for the construction of the final accommodation camp



Figure 6: Second ambulance

Marketing activities

Syrah has signed a Statement of Sales Intent (SSI) with one of the world's largest refractory producers, after initial concentrate samples provided by Syrah satisfied their internal product qualification process. This leading refractory producer intends to purchase up to 15,000 tonnes per annum (tpa). Balama graphite concentrate will be used for refractory bricks and parts for industrial high-temperature processes exceeding 1,200°C. (Refer ASX announcement dated 18 November 2015 for further details on this SSI.)

Syrah is also in discussions with other parties around the world in relation to further flake graphite offtake agreements for traditional graphite applications and will update the market once they are finalised.

PROPOSED SPHERICAL GRAPHITE PROJECT

Proprietary coating technology

Syrah has achieved a major milestone in its spherical graphite supply chain development with the finalisation of an exclusive Technology Licensing Agreement with Morgan AM&T Hairong Co., Ltd (Morgan Hairong). Morgan Hairong is the second largest coated spherical graphite producer in China and a recognised technical leader in this field.

This Technology Licensing Agreement has a duration of 20 years and grants Syrah the exclusive right to use Morgan Hairong's proprietary spherical graphite coating technology globally (excluding China) in any potential Spherical Graphite Project developed by Syrah.

As consideration, Syrah will issue Morgan Hairong US\$968,000 in fully paid ordinary shares and Morgan Hairong will also be entitled to a royalty on all future gross sales of coated spherical graphite by Syrah. Refer ASX announcement dated 11 November 2015 for further details on this agreement.

Syrah has now received the intellectual property from Morgan Hairong regarding its proprietary spherical graphite coating technology and this information is currently being evaluated by the Company's spherical graphite project development team.

Marketing activities

After performing extensive test work on Balama spherical graphite, Morgan Hairong has also signed the following agreements with Syrah:

- 3 year Product Sales Agreement for 2,000 tpa of uncoated spherical graphite
- 3 year Marketing Agreement for 5,000 tpa of uncoated spherical graphite and 2,000 tpa of coated spherical graphite.

These agreements represent a strong vote of confidence for Balama spherical graphite in China, which is currently the largest and fastest growing lithium ion battery market globally. Morgan Hairong's existing customers include major Chinese battery producers and the company has plans for a significant expansion in production capability in order to satisfy the expected future growth in demand for coated spherical graphite. (Refer ASX announcement dated 12 November 2015 for further details on these agreements.)

Syrah is also in discussions and progressing product qualification with major battery and anode producers around the world in relation to further spherical graphite offtake agreements and will update the market once they are finalised.



Figure 7: Uncoated Balama spherical graphite sample sent to all major battery producers

RECARBURISER

Marketing activities

Syrah has signed a SSI with Hiller Carbon LLC (Hiller Carbon), a leading supplier of raw materials to North American electric arc furnace (EAF) steel producers and other industrial customers. High quality recarburiser is becoming an increasingly important additive during the downstream ladle refining furnace (LRF) process, common to all steelmaking. Hiller Carbon has advised Syrah that Balama recarburiser meets the new stringent carbon addition requirements for LFR, with its high purity, fast and reliable solution rate and consistent sizing.

Hiller Carbon intends to purchase between 25,000 tpa and up to 35,000 tpa of Balama recarburiser for resale. Hiller Carbon will be granted exclusive rights to sell Balama recarburiser in the United States, Canada and Mexico, and the parties will work towards a binding agreement as development of the Balama Project advances.

This SSI is also highly synergistic with Syrah's proposed Spherical Graphite Facility in the United States, which uses the graphite shavings from the sphericalisation process as input material for Balama recarburiser. The ability to access the North American market will therefore create another revenue stream for the Proposed Spherical Graphite Facility. (Refer ASX announcement dated 18 January 2016 for further details on this agreement.)

In addition, Balama recarburiser has also recently been successfully qualified through commercial scale test work by a major steel producer. Figure 8 shows these recarburiser briquettes (each approximately 5mm long). Syrah will seek to finalise an agreement with this party for its facilities around the world as development of the Balama Project advances.



Figure 8: High quality, low impurity Balama natural graphite recarburiser

LICENSES

The following table lists current licenses held by Syrah Resources and its subsidiaries as at 31 December 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 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 ²	EL 4790	Exploration License	Australia	-	-
Mount Lyndhurst South ²	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

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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.

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")

31 DECEMBER 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(412)	(431)
(b) development	(10,907)	(15,724)
(c) production	-	-
(d) administration *	(2,228)	(4,084)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	137	171
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(13,410)	(20,068)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects/farm-ins	-	-
(b) equity investments	-	-
(c) other fixed assets	(65)	(95)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities – Jacana Minerals Ltd	-	300
1.12 Proceeds from (payments for) term deposit	-	85
Net investing cash flows	(65)	290
1.13 Total operating and investing cash flows (carried forward)	(13,475)	(19,778)

* 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)	(13,475)	(19,778)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares and exercise of options	73	210,963
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	(24)	(8,840)
	Net financing cash flows	49	202,123
	Net increase (decrease) in cash held	(13,426)	182,345
1.20	Cash at beginning of quarter/year to date	211,505	8,931
1.22	Exchange rate adjustments to item 1.20	(6,485)	318
1.22	Cash at end of quarter	191,594	191,594

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	193,367
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 31 December 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

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	-
4.2 Development	33,910
4.3 Production	-
4.4 Administration	2,365
Total	36,275

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	151,554	211,424
5.2 Deposits at call	40,000	-
5.3 Bank overdraft	-	-
5.4 Other – Bank Term Deposits	40	81
Total: cash at end of quarter (item 1.22)	191,594	211,505

+ 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	231,267,154	231,267,154	Fully Paid	Fully Paid
7.4				
	<i>Options exercised</i>			
	125,000	125,000	\$0.00	-
	425,001	425,001	\$0.17	\$0.17
	<i>Shares issued</i>			
	255,292	255,292	\$2.61	\$2.61
7.5	-	-	-	-
7.6				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

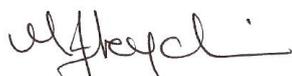
7.7	Options and rights <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		<u>Options</u>			
		22,000	-	\$2.12	16 July 2016
		250,000	-	\$2.81	12 June 2016
		500,000	-	\$5.41	19 May 2019
		2,800,000	-	\$6.26	2 October 2019
		1,200,000	-	\$4.08	28 January 2018
		125,000	-	\$0.00	27 April 2017
		500,000	-	\$5.40	7 May 2018
		300,000	-	\$4.99	9 June 2018
		250,000	-	\$4.38	26 October 2020
		1,000,000	-	\$4.71	13 November 2018
		<u>Rights</u>			
		100,707	-	\$0.00	31 December 2017*
7.8	Issued during quarter	<u>Options</u>			
		250,000	-	\$4.38	26 October 2020
		1,000,000	-	\$4.71	13 November 2018
		<u>Rights</u>			
		100,707	-	\$0.00	31 December 2017*
7.9	Exercised during quarter	<u>Options</u>			
		125,000	-	\$0.00	27 April 2017
		425,001	-	\$0.17	15 December 2015
7.10	Expired during quarter	<u>Options</u>			
		4	-	\$0.17	15 December 2015
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

* Represents the vesting date of performance rights. If the performance hurdles are not satisfied (or incapable of being satisfied), the performance rights will lapse (unless the Plan Committee determines otherwise).

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:


Company Secretary

Date: 29 January 2016

Print name: MELANIE LEYDIN

+ See chapter 19 for defined terms.

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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