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**QUARTERLY ACTIVITIES REPORT – PERIOD ENDING 30 JUNE 2017**

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For further information contact Investor Relations

**Nova Young**

Contact: +61 422 575 530

Email: [n.young@syrresources.com.au](mailto:n.young@syrresources.com.au)

**John Knowles**

Contact: +61 419 893 491

Email: [j.knowles@syrresources.com.au](mailto:j.knowles@syrresources.com.au)



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## QUARTERLY ACTIVITIES REPORT – PERIOD ENDING 30 JUNE 2017

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### Headlines

#### Balama Project

- Strong project progress to 90% completion, at 30 June 2017 and commissioning activities underway
- Subsequent delays in construction completion in the Processing Plant during July have led to a delay in the commencement of production from late August into October, and an increase in the project construction budget (including contingency) to US\$205 million, from US\$200 million
- All key mining, infrastructure, services and laboratory equipment in place. Run of Mine (ROM) pad stocked for commissioning and water pipeline under construction

#### Battery Anode Material (BAM) Project

- Opportunity identified to achieve earlier revenue (H2 2018) and commercial volume (>10,000tpa) through first phase BAM Plant in Louisiana
- Strong BAM project progress with key appointments made, engineering, long lead items, site and permitting lease advancing
- Execution of product development and services agreement with Cadenza Innovation Inc. for advanced Battery Anode Materials

#### Sales and Marketing

- Three key sales agreements confirmed with Hiller Carbon, Marubeni and MINERALS GmbH, providing the baseload of industrial market flake sales from Balama to North America, Asia and Europe
- Continuing strong development of negotiations with BTR New Energy Materials and other participants in the Battery Anode Material sector
- Enormous momentum in global Li-ion battery markets with electric vehicle forecasts significantly strengthened through increased commitment from traditional automakers
- Conditions precedent for Grindrod Logistics contract satisfied, port arrangements largely in place and sea freight arrangements underway



### **Finance and Corporate**

- Strong balance sheet position with US\$101 million cash, and continuing engagement on US\$50M debt facility
- Financing options developed to provide flexibility to continue and potentially advance Battery Anode Material strategy

### **Sustainability**

- Outstanding safety performance in Q2 with Total Recordable Injury Frequency Rate (TRIFR) of 1.1 and over three million hours worked without a Lost Time Injury
- No significant environmental issues
- Labour, community development and training agreements completed – strong local employment and government support
- Mining Agreement presented to Secretariat of the Council of Ministers in Mozambique for approval, with all arrangements required to operate and export already in place



## BALAMA GRAPHITE PROJECT

### Costs

During Q2 CY2017, US\$24.9 million was spent on the Balama Graphite Project (Balama), resulting in total project development expenditures of US\$162.3 million as at 30 June 2017. An additional US\$23.7 million in development expenditures have been committed as at the end of the quarter, which brings total actual and committed capital expenditures to US\$186.0 million.

Total project capital cost (inclusive of contingency) has increased to US\$205.0 million due to a delay of the commencement of first flake production.

### Schedule

- Overall construction progress was 90% as at 30 June 2017
- During July, two key developments have led to the commencement of first flake production being delayed from late August to October 2017. They are:
  - Slower than planned completion of structural steel erection, piping installation and electrical work in the Processing Plant (particularly in the flotation and filtration areas) largely caused by:
    - Contractor productivity and commitment to scheduled completion dates
    - Some specific material shortages of vendor related equipment and piping materials
    - Minor fabrication, design and installation issues, requiring re-work
  - Reduced power availability delaying commissioning
    - Commissioning activities commenced in May 2017 utilising low voltage generator capacity onsite and the planned usage of 1000kva portable generator from early July
    - Onsite commissioning of the power station was dependent on the use of a load bank and sufficient load being available from the Processing Plant
    - Unfortunately, a truck transporting both the 1000kva generator and the load bank was involved in an accident en route from South Africa resulting in both items needing to be replaced - there were no injuries from this incident
    - The replacement load bank and 1000kva generator arrived on site at the end of July and have been installed
- The Structural, Mechanical and Piping (SMP) and Electrical and Instrumentation (E&I) sectional completion dates account for three weeks delay and the inability to meet planned August production



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- Plant commissioning is impacted by both the reduced power availability and the delay to construction completion. The need to commission the plant sequentially has extended the delivery date for first production by an additional three weeks
  - Management and supervision continue to give the highest priority to recover lost time and have been working around the clock with contractors to implement several initiatives to ensure delivery of the project:
    - Working extended hours
    - Increased resourcing of key activities such as piping fitters/ welders
    - Additional 45 trades personnel applied to rectify fabrication and design issues
    - Increased expatriate supervision to improve delivery of the SMP and electrical contracts
  - Management are exploring all options to bring forward commencement of production. The strategy continues to be focused on completing construction and commissioning the Processing Plant concurrently where possible
  - Additionally, management is reviewing project and operations costs to minimise the additional expenditure
  - **Importantly**, as the delay is relatively short, and the initial planned production volumes are modest, Syrah Resources (the Company) does not anticipate any material impact on total planned production for the 12 month period commencing August

## Commissioning

- Processing Plant commissioning activities commenced in May as planned, with the commissioning team now fully mobilised. Activities including the energisation of the primary crusher substation and function testing for some material handling equipment have been completed and advanced work for sectional completion handover has been progressed in all areas where possible
- The laboratory, primary crusher substation and electrical control room for the power station were successfully energised
- Electrical commissioning recommenced with the replacement load bank and 1000kva generator arriving on site at the end of July. The priority work is to finish commissioning the primary crusher circuit, energise the primary milling substation and commence load testing each of the seven power station generators
- The sequence of commissioning has been developed, with the priority being the initial production of coarse flake. The production of fine flake will closely follow after initial production and aligns with customer requirements
- The onsite water storage dams are full (34,000m<sup>3</sup>) and ready for commissioning of the Processing Plant
- An experienced graphite technical team has been established to support commissioning and operations



- Equipment specialists have been onsite to assist with the verification of key equipment
- Initial mine development is complete with stockpiling of mineralised ore onto the ROM stockpile, ready for production. Detailed ore characterisation work has illustrated alignment with planned quality
- A trial parcel of mineralised material was loaded into the ROM bin after primary crusher station was energised
- Construction verification of a number of areas have been completed and handover has commenced with the next major circuit to be completed being the primary milling circuit (importantly starting with the energisation of the substation)

Please refer to **Attachment 1** for Balama Commissioning Overview.

## Transition to Operations

- The operations team organisational structure is established and staffed, and the teams are completing training and preparation for Processing Plant operation
- Training is being conducted by graphite specialists from Brazil
- Some maintenance and operational personnel are embedded in the commissioning and construction teams to gain exposure to the Processing Plant prior to operations
- The asset management system has been established with all planned maintenance schedules and activities fully developed
- The mining contractor is established and illustrating excellent operational performance with initial mine development and the stockpiling of mineralised ore onto the ROM stockpile complete, ready for production. The mining technical support team continues to refine the mine planning model
- The laboratory has been fully fitted out with state of the art equipment and is fully functional with Bureau Veritas technical personnel already mobilised to site
- In preparation for first production, the laboratory is being used to train personnel to perform processing and characterisation work on the orebody in the Balama West pit and to produce pre-qualification samples for key customers. Laboratory scale concentrate production onsite utilising ROM material at Balama is showing excellent results with concentrate being produced in excess of 95% Total Graphitic Carbon (TGC)
- All major contracts for operational consumables and services are established, including fuels, reagents and lubricants

## Mining Agreement

- All relevant permits and authorisations for the commencement of operations and export of graphite product are already in place. The completion of the Mining Agreement provides an integrated framework and stability for the long term



- The Mining Agreement progressed during the quarter with the Mines Department (MIREME) technical committee and all relevant ministries endorsing the final terms of the agreement
- The Mining Agreement has been presented to the Secretariat of the Council of Ministers for consideration at one of the next sessions, this is understood to be the final step in the approval process
- There have been no material changes to the content of this agreement during the quarter. Importantly, there have been no changes to any previously announced approvals showing stability in the operating parameters for the project from the completion of feasibility study in 2015 (and prior) through to today
- Aspects of the Mining Agreement have already been implemented in conjunction with the Government such as the signing of the Local Development Agreement and the Memorandum of Understanding for the Balama training centre

## Processing Plant

The Balama Processing Plant will use conventional processes including:

- Primary crushing/ crushed ore storage/ recycled crusher
- Primary milling
- Flotation and attrition
- Secondary milling and classification
- Filtration, flake and fine drying
- Classification and product bagging

Waste material will be pumped to the Tailings Storage Facility (TSF) after the graphite flotation process.

### General Overview

- The majority of supporting infrastructure is complete including the first cell of the TSF
- All major equipment installed, including polishing mills, screw classifiers and the third filter
- The attrition cells have been manufactured and are en route to Mozambique with the expected arrival date being early September. Civil works for attrition cells are well underway and the awarding of the installation contracts for mechanical and electrical works will occur over the coming weeks
- Successfully energised the laboratory, primary crusher substation and electrical control room for the power station
- Completed first run of conveyors carrying mineralised material to ore bin
- Approval for construction of the Chipembe pipeline has been granted. Construction is well underway with completion scheduled for September 2017

Please refer to **Attachment 2** for a review of each section of the Processing Plant and associated photographs.



## Mine and Processing Plant Support Infrastructure

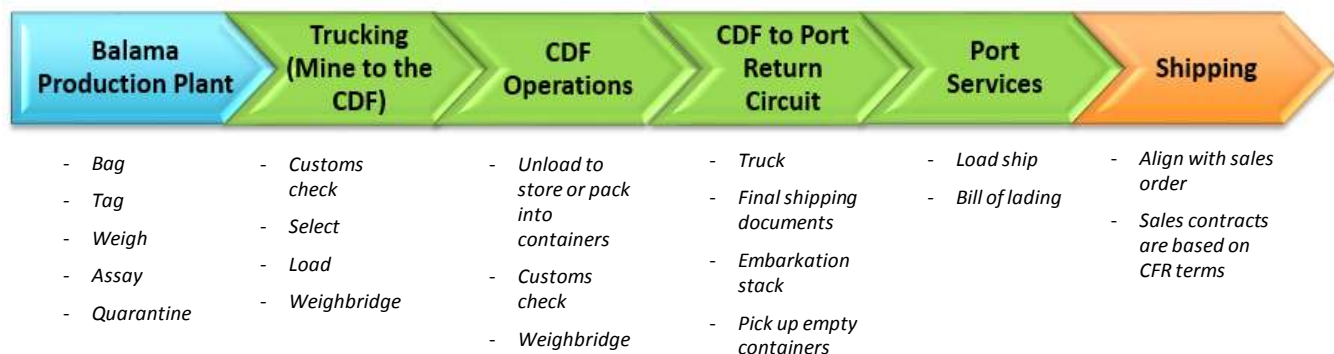
### General Overview

Significant progress has been made with emphasis on the following activities:

- Power station – staged commissioning of generators
- Fuel storage facility – commissioning
- Main laboratory – building is complete and handed over to operations
- Accommodation village – fully operational with a 750 person capacity
- Product storage facility – fully operational
- Main administration building – scheduled for energisation

Please refer to **Attachment 3** for a review of the mine support infrastructure.

## LOGISTICS – MINE TO PORT



Note: CDF = Crossing docking facility, CFR = Cost and Freight

- The Graphite Distribution and Logistics Services Supply contract (Logistics Contract) for Balama was awarded to Grindrod Mauritius (Grindrod) for provision of long and short haul logistics, a cross dock loading and storage facility at Nacala port, customs clearing and forwarding services (refer ASX announcement dated 24 April 2017)
- The Logistics Contract has an initial term of five years with the option for Syrah Resources to extend for two further five year periods. The operating cost for logistics and distribution services is expected to be lower than the Balama Feasibility Study estimate of US\$125.70 per product tonne (refer ASX announcement dated 29 May 2015)
- All contract "conditions precedent" have been satisfied and Grindrod are well advanced in preparation for initial production including the interim cross docking facility, road haulage and other





equipment. Mobilisation for construction of the new cross docking facility in Nacala has commenced at the end of July and has a nine month build

- A successful workshop has been held between Syrah and Grindrod operational personnel to operationalise and implement the contract including engagement and education with communities along the route and other key stakeholders
- The Company has largely finalised discussions with Nacala Port during Q2 2017 regarding the movement of product through the port
- The Company is finalising initial shipping agreements with international shipping lines operating services to and from Nacala Port

## UPSTREAM SALES AND MARKETING

### Introduction

Syrah's sales and marketing strategy is to be the baseload industry supply for major consumers, diversified across segment and geography. Syrah will also provide high quality, consistent, and reliable products, targeting the traditional industrial flake and Battery Anode Material markets.

Syrah has recently formalised three sales agreements

1. **Hiller Carbon** – Syrah has signed an initial three year agreement with Hiller Carbon, renewable annually thereafter. Located in North America, Hiller Carbon is a stocking processor of carbon for industrial and speciality applications engaged in value added carbon processing and supply chain management services. The initial volume will be for a minimum of 10,000 tonnes in the first year and up to 50,000 tonnes in the following years. This agreement excludes the battery market.
  2. **Marubeni** – Syrah has extended the term of its sales agreement and increased the volume with Marubeni, a Japanese trading company. The contract increases the tenor from three to five years and increases the volume of Balama flake from 20,000 tonnes to 25,000 tonnes in each of the first two years and then 30,000 tonnes for years three to five.
  3. **MINERALS GmbH, a member of the COFERMIN group** – Syrah has concluded the commercial terms of a five year Marketing and Distribution Agreement with a consortium of European graphite industry participants. The agreement includes the supply of graphite into Europe, for a minimum of 12,000 tonnes in the first year and up to 25,000 tonnes in the following years. The agreement relates to refractories, crucibles, ladles, lubricants and other industrial applications, but does not involve the battery or recarburiser markets
- Collectively, Hiller Carbon, Marubeni, and the MINERALS GmbH will place approximately ~50,000 tonnes firm sales in the first year with the potential for approximately 100,000 tonnes per annum in later years as market penetration develops



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- These contracts with established market participants across three key regions, form the backbone of the traditional industrial market sales book
  - Other sales and marketing during Q2 2017
    - China Battery Anode Materials segment – additional direct flake sales to spherical producers being negotiated
    - India – sales agency negotiations continuing
    - South East Asia and Taiwan – initial offers for flake sales under review
    - Europe and South America – negotiations for recarburiser business have progressed
  - Negotiations with BTR New Energy Materials progressed positively during the quarter and remain focussed on the development of arrangements in both sales from Balama and supply chain cooperation
  - Interest from other participants in the battery sector continues to grow with negotiations underway regarding direct sales to Chinese spherical producers and the potential for tolled purchases
  - As previously noted, sales and pricing mechanisms in both the flake and spherical (Battery Anode Material) markets are bespoke, bilateral and non-transparent. A significant proportion of sales and purchase arrangements contain confidentiality clauses. Customers are protective of sourcing information, maintenance of existing commercial relationships and product composition which in many cases forms competitive advantage



## Summary of Flake Concentrate Sales and Marketing Agreements

Customer	Type	Region	Product	Tonnes p.a.	Duration	Status
Chalieco	Offtake	China	Flake graphite	80,000	3 years	Being operationalised (timing, customer volumes, pricing)
Hiller Carbon	Sales Agreement	North America and Mexico	Flake graphite & Recarburiser	10,000 to 50,000	3 years renewable annually	Agency and direct sales for traditional markets and recarburiser
Marubeni	Sales Agreement	Japan & Korea	Flake graphite	25,000 30,000	Years 1-2 Years 3-5	Being operationalised (timing, customer volumes, pricing)
MINERALS GmbH	Sales Agreement	Europe	Flake graphite	12,000 to 25,000	5 years	Agency and direct sales for traditional markets only; excluding battery and recarburiser markets
European refractory producer	SSI	Europe	Flake graphite	Up to 15,000	10 years	Awaiting commercial production to operationalise contract
BTR New Energy Materials	MOU	China	Flake graphite and supply chain co-operation	Confidential		



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## General Market Update

### End Use Sectors

- Global **electric and plug in vehicle sales** reached 351,000 from January to May this year, a year on year increase of +46% from the 241,000 sold by the same time last year. Recent announcements regarding increased electric vehicle production by car makers in all regions continues to further encourage the strong demand growth outlook for fines material used in batteries
- World **crude steel production** was 836Mt in the first six months of 2017, an increase of +4.5% compared to the same period in 2016. Steel production continues to hold up well due to increased demand from infrastructure investment in China. However, China continues to reduce steelmaking capacity which in the medium to longer term will soften demand for graphite material used in the steelmaking process

### Mozambique

- The Mozambique economy continues to improve through 2017 after the difficult 2016. In the last quarter, inflation continued trending down, the Metical strengthened and economic growth was above 3%. The recent developments in the oil and gas industry provide a positive sign that international businesses are comfortable with the improving economic environment in the country

### Graphite Price

- Environmental restrictions in Shandong province, China's region for larger sized flake production have increased in recent months and forced the closure of smaller operations. This has supported an increase in price for larger sized flake material. Although still at relatively low levels, prices for fines material stabilised in the last quarter. China's ongoing reduction of domestic supply and the more recent increased taxation of Brazilian graphite producers is expected to support prices for the next quarter

## DOWNSTREAM STRATEGY

Syrah's downstream strategy was originally conceived to consist of three principal stages:

- A Qualification Plant (first line) in Louisiana to enable customers to complete the product qualification process
- A Commercial Plant, also located in Louisiana, to produce initially 20,000 tonnes per annum of Battery Anode Material with permitting sought for expansion to 60,000 tonnes per annum
- Development of a technology centre in Perth for optimisation of product and production processes



- Within Syrah's wholly owned US entity Syrah Technologies LLC, the Qualification Plant commercial lease, permitting, detailed engineering design and order of long lead items are progressing well and the Syrah team representation is building on the ground
- In recent months, developments in the Company's view of technology, commercial options and feedback from the Company's client base has generated two significant opportunities for the first production facility in Louisiana:
  - Commercialisation of the Qualification Plant leading to earlier potential for BAM sales and related value-added product revenues
  - Design optionality to allow for the upscaling of the Qualification Plant to produce commercial volumes (>10,000tpa) and the development of multiple spherical and value-added products
- Implementation of the original part of this potential production strategy continues in line with the Qualification Plant planning. Additional capacity could be brought online in 2018, facilitating the possibility of commercial production from the plant in H2 2018
- With this potential for acceleration of the first tranche of commercial production and the ongoing development of technology and commercial development work for BAM, the Bankable Feasibility Study (BFS) for investment in the subsequent larger scale Commercial Plant will be targeted for delivery in early H1 2018.
- Capital and schedule for potential development of the first phase plant to achieve commercial production will be provided during next quarter. In the meantime, all funding for this work continues to be drawn from the BAM & general corporate cash reserve

## **Status of Battery Anode Material Plant in Louisiana**

- As highlighted above this initial investment will support both the production of Battery Anode Material for customer product qualification efforts as well as Battery Anode Material and other graphite based products for sale to a diverse array of potential clients across multiple industries
- Appointment of BAM Project Manager (Louisiana). John Swanson, an executive with over twenty years of process industry experience has joined the onsite BAM team in Louisiana as Project Manager, reporting to COO Downstream, Paul Jahn
- Detailed design contract of the Qualification Plant awarded to CDI Engineering in Baton Rouge, LA. The integrated Syrah-CDI project team has already optimised the plant layout, completed process flow diagrams and, process and instrument diagrams
- Commenced procurement of long lead equipment items
- Preferred site chosen for Qualification Plant site. The proposed site is located within a secured facility that importantly provides direct access to key port and rail infrastructure facilities, as well as gas, power, water and municipal sewer services
- Approval of key permits in progress such as air emissions and liquid discharges

## **Development and Services Agreement with Cadenza Innovation Inc.**

- We are also very pleased to advise that we have finalised the Development and Services Agreement between Syrah Resources and Cadenza Innovation Inc. (Cadenza Innovation) for testing and product development in the Battery Anode Material arena
- Under the terms of the partnership, Cadenza Innovation and Syrah will engage in the development and testing of advanced Battery Anode Materials, marking a strong commitment to the development of proprietary downstream technology. Cadenza Innovation will establish an “Office of the CTO” to lead knowledge exchange, deep technical partner and customer engagement, and support the Qualification Plant Syrah is establishing in Louisiana. Syrah will embed key personnel within Cadenza Innovation’s internationally recognised research, design and engineering team. Additionally, the combined team will develop Syrah’s carbon materials using a natural graphite base
- Further detail is available in a separate release today

## **Pilot Plant and Process Optimisation in Perth**

Given the extensive customer testing of BAM product to date, it has been decided not to relocate the pilot plant from Guangzhou to Perth. Future product testing will recommence once the Qualification Plant is operational.



## BAM Sales and Marketing Agreements

Customer	Type	Region	Product	Tonnes p.a.	Duration	Status
Marubeni	Offtake	Japan & Korea	Uncoated spherical graphite	50,000	5 years	Ongoing sample testing and customer engagement. Awaiting production from US plant
Morgan Hairong	Offtake	China	Uncoated spherical graphite	2,000	3 years	Awaiting production from US plant
Morgan Hairong	Marketing	China	Coated and uncoated spherical graphite	7,000	3 years	Awaiting production from US plant

Note: Typically, 2 tonnes of flake concentrate is required to produce 1 tonne of spherical graphite

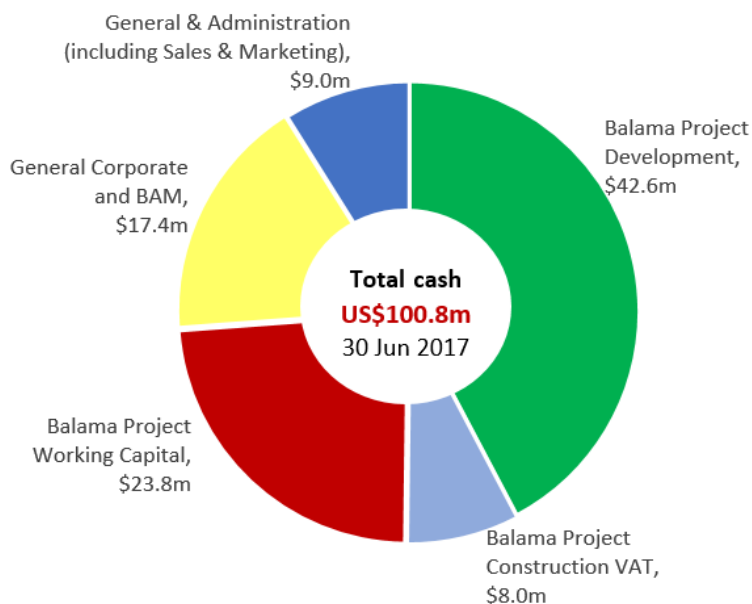
## Other BAM Sales and Marketing Developments

- BTR New Energy Materials – Memorandum of Understanding (MOU) for strategic development of sales and supply chain options
- Major anode manufacturer – conditional Statement of Sales Intent (SSI) for lithium ion battery grade spherical graphite. This SSI follows the provision of multiple spherical graphite samples for testing and reference purposes and is targeted at continuing close cooperation to qualify material for mass production
- Spherical graphite toll processing options – awaiting final proposals to toll process Balama flake concentrate into spherical graphite in China
- Ongoing sample provision and commercial negotiation with multiple potential customers



## FINANCE

The balance of cash reserves and projected use of funds as at 30 June 2017 is shown below:



- Progress has been made during the quarter to implement a working capital facility of US\$50 million to maintain a strong balance sheet under a wide range of scenarios during the commissioning and production ramp-up phase
- A detailed assessment of the funding proposals received at the end of last quarter highlighted the requirement for further engagement and information sharing with financiers, to ensure that the greatest level of understanding of the graphite industry and market, and the Mozambique jurisdiction was achieved
- Syrah recognises that progress is slower than originally indicated, but is intent on ensuring the best funding outcome is achieved and that strategically, the facility provides the flexibility to continue to progress, and if desired, accelerate our downstream strategy
- Work to identify the funding requirement of the potential BAM Strategy beyond the original Qualification Plant construction scope in Louisiana is concurrently underway, to allow for assessment, should the Company seek to accelerate an expanded BAM strategy





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## SUSTAINABILITY - HEALTH, SAFETY, ENVIRONMENTAL, PEOPLE AND COMMUNITY DEVELOPMENT

### Health, Safety & Security

- Total Recordable Injury Frequency Rate (TRIFR) sits at 1.1 with over three million hours worked without a Lost Time Injury in Q2 2017
- Minister of Mineral Resources & Energy (MIREME) visited Balama Graphite Project and committed to using the Company's Health, Safety, Security and Environment (HSSE) systems and process as the Mozambique benchmark for industry 'Best Practice'
- Company was awarded three recognition certificates from the Provincial Labour Authorities for demonstrating 'Best Practice' in the prevention of work related injury, illness and injury management
- The Company continues to work closely with all onsite contractors to ensure strong health and safety performance is maintained. Onsite health capability strengthened with the International SOS medical team expanded to ensure the optimal provision of occupational, primary and emergency health services to all employees

### Environment

- The Environmental Monitoring Program continued in line with license conditions with no significant incidents reported in 2017
- The annual external environment audit has been completed with zero significant non-compliances identified across all disciplines at the Balama Graphite Project
- Onsite waste management capability strengthened with the successful commissioning of the site landfill and waste water treatment plant

### People

- 2,300 people are employed directly on the Balama Graphite Project. Nearly 600 are direct Syrah Resources employees, of which 70% are employed from the eight Host Communities local to the Mining Concession
- The Company continues to attract skilled Mozambican professionals across all disciplines with all senior professional roles filled at the Balama Graphite Project
- The Local Development Agreement (LDA) was endorsed by MIREME and was signed by all parties, confirming the Company's commitment to partnering with local stakeholders to deliver sustainable social outcomes across the Balama's Host Communities
- The Company signed a Memorandum of Understanding with the National Institute of Employment and Professional Training & Labour Studies (IFPLAC) that will see the establishment and co-management of



the Balama Training Centre in H2 2017. This facility will provide training to 500 local people from the Host Communities over the next five years

- Company Level Agreement regarding labour endorsed by the National Union of Building, Timber & Mine Workers (SINTICIM), signed by all parties and registered with the Cabo Delgado Labour Authorities

## LICENSES

The following table lists the current licenses held by Syrah Resources Limited and its subsidiaries as at 30 June 2017:

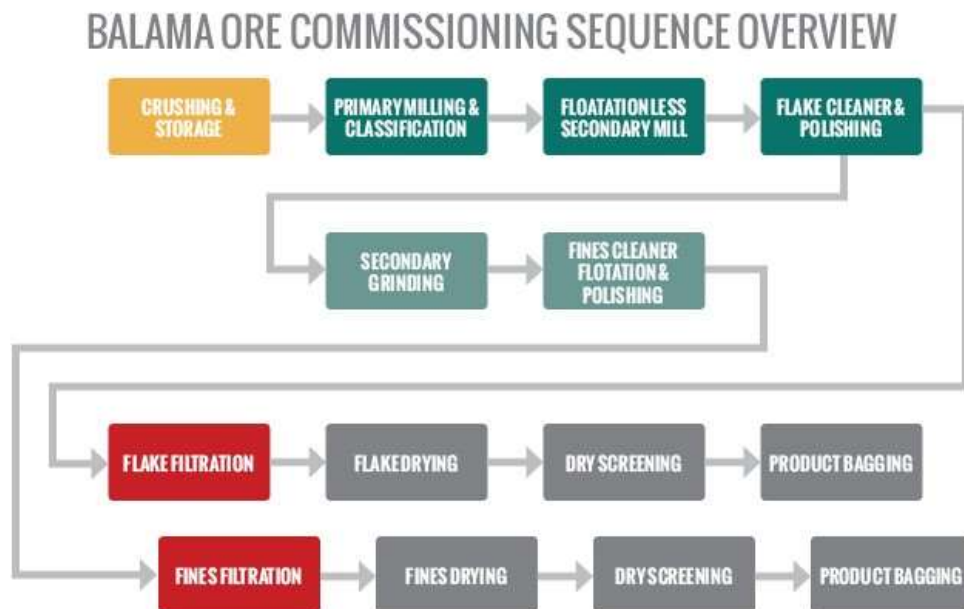
Project	License Number	License Type	Country	Interest acquired/farm-in during the quarter	Interest disposed/farm-out during the quarter
Balama	6432C	Mining Concession	Mozambique	-	-
Balama <sup>1</sup>	5684L	Exploration	Mozambique	-	-

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.



## ATTACHMENT 1 – BALAMA COMMISSIONING OVERVIEW

Commissioning is being undertaken using a sequential approach as illustrated in the figure below.



Commissioning of the Processing Plant commenced in May 2017. Commissioning will be staged to be completed in parallel with construction completion. The stages used in the Commissioning are C1 to C4:

- Construction Verification (C0)
- Dry Commissioning (C1) – No-load energisation
- Wet Commissioning (C2) – Running with water and air
- Ore Commissioning (C3) – Initial introduction of ore
- Optimisation (C4) – Tuning to enable capacity and product specifications to be achieved

Commissioning activities commenced with C0 activities starting at the Primary Crusher. The commissioning team will energise and test all equipment and systems to ensure that each individual item is correctly installed and functioning as designed. The equipment is then tested in larger groups until the entire facility has been tested.

Once areas of the Processing Plant have been fully energised and tested, ore and process fluids will be introduced into individual equipment and integrated systems to demonstrate stable operation.



## **ATTACHMENT 2 – BALAMA PROCESSING PLANT PROGRESS UPDATE**

### **Primary Crushing**



- Construction Verification Complete (CVC) and commissioning activities have commenced
- Full circuit to be run with the portable generator (1000kva)

### **CV003 Conveyor and Ore Bin**



- Ore bin & feed conveyor, and reclaim area complete
- Commissioning activities have commenced



## Primary Milling



- Primary milling conveyors, substation have been mechanically and electrically punch-listed
- Contractors are closing out punch-list items to achieve construction completion and commence commissioning

## Secondary Crushing



- System is mechanically and electrically complete and punch-listed
- Will be handed over and commissioned in conjunction with primary milling

## Flotation



- Construction is being closely managed daily to ensure no further slippage
- Piping, cabling and instrumentation in progress key focus area
- Flotation cells pre-commissioning checked





## Polishing Mill



- Piping, electrical connection, mechanical alignment works and grouting underway

## Filtration



- Construction is being closely managed daily to ensure no further slippage
- Piping, final structural assembly and electrical installation underway
- Cladding imminent following recent arrival and installation of third filter replacement damaged in transit



## **Fines and Flake Drying**



- Structural installation for flake and fines drying complete
- Electrical and instrumentation installation in progress

## **Dry Screening and Bagging**



- Main feed, product silos and dry screens installed
- Structural assembly, piping, electrical and instrumentation installation and bagging machine assembly in progress
- Originally planned final section for completion



## ATTACHMENT 3 – MINE SUPPORT INFRASTRUCTURE PROGRESS UPDATE

### 15.4 MW Power Station



- Energisation of E-House complete, commissioning commenced, load bank arrived for installation
- Generators to be commissioned sequentially, prior to each construction area front becoming available
- Four generators required for commissioning of the first full flake circuit

### Main Laboratory



- Handed over and fully operational; Bureau Veritas in place with graphite analysis underway
- Grade control over 2.5km of trenching and 2,500 samples taken
- Extensive flotation test work underway for training and to identify process optimisation opportunities
- Initial sales samples currently being produced in Laboratory

### Main Product Storage Building



- Building completed and handed over to Operations





## Bulk Fuel Facility



- Bulk storage tanks, pump houses, electrical services and piping installation complete
- Fuel Management systems installation nearing completion

## Chipembe Dam Water Pipeline



- Excavation of trench is complete – 14km
- Placement of bedding material in trench - 9km complete
- Distribution of pipe for welding almost complete and pipe welding underway
- On track to complete installation in September. Finish date will not impact commissioning activities

## Run of Mine (ROM) Pad



- ROM pad complete and operational
- 5.5kt of Graphite Ore placed ready for commissioning

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

SYRAH RESOURCES LIMITED

### ABN

77 125 242 284

### Quarter ended ("current quarter")

30 JUNE 2017

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (6 months) US\$'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(26,405)	(51,044)
(c) production	-	-
(d) staff costs <sup>(1)</sup>	(4,399)	(7,885)
(e) administration and corporate costs	(2,106)	(3,599)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	207	518
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(32,703)</b>	<b>(62,010)</b>

<sup>(1)</sup> Includes staff costs in relation to project development and corporate & administration functions

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(12)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter US\$'000</b>	<b>Year to date (6 months) US\$'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Environmental bond)	(1,248)	(1,248)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,249)</b>	<b>(1,260)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	134,891	163,297
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(32,703)	(62,010)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,249)	(1,260)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(106)	806
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>100,833</b>	<b>100,833</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter US\$'000</b>	<b>Previous quarter US\$'000</b>
5.1 Bank balances	6,602	12,661
5.2 Call deposits	94,200	122,200
5.3 Bank overdrafts	-	-
5.4 Other – Security deposits	31	30
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>100,833</b>	<b>134,891</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter US\$'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	235
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

The above related party payments include salaries, superannuation and consultancy fees paid to directors and/or director related entities during the quarter ended 30 June 2017.

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter US\$'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

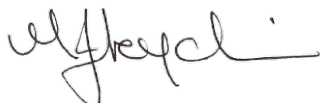
N/A

<b>9. Estimated cash outflows for next quarter</b>	<b>US\$'000</b>
9.1 Exploration and evaluation	-
9.2 Development	30,000
9.3 Production	-
9.4 Staff costs	6,700
9.5 Administration and corporate costs	2,000
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>38,700</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A	N/A	N/A	N/A
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A	N/A	N/A

**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.



Sign here: .....  
(Company secretary)

Date: 31 July 2017

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.