

25 July 2016



QUARTERLY ACTIVITIES REPORT – PERIOD ENDING 30 JUNE 2016

Highlights:

- Successful completion of an A\$194 million capital raising at A\$6.05 per share to complete the funding of the Balama Project, provide balance sheet flexibility and further accelerate the Company's spherical graphite strategy
- Dr. Christina Lampe-Onnerud, a USA-based global authority in battery system innovation and design with 20 years of experience, has been appointed as a Non-Executive Director of the Company

Balama Graphite Project Update:

- Detailed engineering and design is on schedule for completion during August 2016
- Major procurement activities are complete with mechanical equipment and structural steel now being delivered to site
- The SMP (Structural, mechanical and piping) and Mining Contractors, who have significant experience in Mozambique, have been engaged
- Substantial ramp up of site personnel with approximately 830 direct staff and contractors, including significant ongoing recruitment of qualified Mozambican nationals

Proposed Spherical Graphite Plant Update:

- Further process engineering test work, optimisation, and product sample preparation for customers continues at Syrah's spherical graphite pilot plant in China
- Test results from 600kg of feed concentrate has demonstrated greater production yields, particularly using a blended feed material which contains a greater proportion of finer -325 mesh graphite
- Five year Offtake Agreement signed with Marubeni Corporation to purchase a total of 50,000 tonnes of coated and uncoated spherical graphite per annum for major battery and anode customers in Japan and Korea, after extensive due diligence and product evaluation by these customers

CORPORATE

During June 2016, Syrah successfully completed a fully underwritten A\$194 million capital raising by issuing 32 million shares at A\$6.05 to institutional investors. The proceeds will be used to complete the funding of the Balama Project, provide balance sheet flexibility and further accelerate the Company's spherical graphite strategy.

Dr. Christina Lampe-Onnerud has been appointed as a Non-Executive Director of the Company. Dr. Lampe-Onnerud is a USA-based global authority in battery system innovation and design, with 20 years of experience in the research and development and commercialization of lithium-ion battery technologies for consumer electronics, electric automotive and energy storage applications.

Among her accomplishments, Dr. Lampe-Onnerud founded Boston-Power Inc. (Boston-Power), a developer of high-energy, cost-effective, longer lasting and safer battery "building blocks" that could be deployed into the portable electronics, transportation and utility energy storage markets. Most recently, Dr. Lampe-Onnerud serves as Chairman and Chief Executive Officer of Cadenza Innovation LLC, an early stage company she founded to develop high-performance, low cost battery technologies. In that role, she oversees a global patent portfolio while leading partnerships with major global electric drive and energy storage suppliers.

BALAMA GRAPHITE PROJECT (100%)

Development activities

During Q2 2016, A\$30.7 million (US\$22.9 million) was spent on the Balama Graphite Project, increasing total project development expenditures to A\$64.3 million (US\$47.1 million) as at 30 June 2016. An additional US\$60 million in development expenditures have been committed, which brings total actual and committed capital expenditures to US\$107 million, against a revised capital cost estimate of US\$175 million for the Balama Project.

Development activities at the Balama Project continue to progress well with the following key activities underway:

Health, safety and community development

- Achieved over 1 million hours worked without a Lost-Time Injury
- Successfully completed key aspects of the farmland relocation program to allow for all mine development activities to commence

Engineering and procurement

- Detailed engineering and design is on schedule for completion during August 2016
- Major procurement activities are now complete with mechanical equipment and structural steel deliveries to Balama having commenced
- Regular visits to key equipment and material suppliers conducted to ensure that delivery dates and quality standards are being maintained

Construction

- Notices of Award issued for major construction contract (Structural, Mechanical and Piping (SMP)) and various operational contracts (including mining contractor, transport and logistics, fuel supply and laboratory services)
- Sealing of the 7km access road is complete and work is now progressing on the construction of the internal plant site roads
- Major bulk earthworks are now complete
- Process plant and infrastructure concrete works are well advanced with approximately 3,400 cubic metres of concrete poured in all major areas (ore bin, primary crushing facility, primary mill and flotation circuit) during the quarter
- Substantial ramp up of key personnel with approximately 830 direct staff and contractors currently working on site. Ongoing recruitment of qualified Mozambican nationals continues to strengthen the team
- The SMP (Structural, mechanical and piping) and Mining Contractors, who have significant experience in Mozambique, have been engaged
- Clearing for the construction of the Tailings Storage Facility is substantially complete with construction scheduled to commence during July 2016
- Expansion of the existing camp accommodation is progressing in line with resourcing requirements



Figure 1 – Aerial view of the Balama Project



Figure 2 – 3D model of Balama operations



Figure 3 – Fully bitumised access road



Figure 4 – Concrete foundations for the flotation circuit



Figure 5 – Deliveries of drying equipment and pipe work to the Balama Project



Figure 6 – Flotations cells ready for shipment at a Chinese port



Figure 7 – Plant equipment delivered to site



Figure 8 – Construction underway for the expansion of the accommodation camp



Figure 9 – Mining fleet mobilised on site

PROPOSED SPHERICAL GRAPHITE PLANT

Development activities

With the successful completion of the A\$194 million capital raising in June 2016, Syrah is planning to accelerate its spherical graphite development via the following initiatives:

- Further enhancements to the detailed engineering study are currently underway to optimise the spheroidisation technology and methodology
- Ongoing strategic evaluation of a pilot plant in the United States which mirrors the components of an industrial scale facility, to enable further process optimisation and qualification.

Syrah continues to advance significant customer interest in China, Europe and North America. The Company continues to conduct further process engineering test work, optimisation and product sample preparation for customers at its spherical graphite pilot plant in China.

Test results from 600kg of feed concentrate has demonstrated greater production yields, particularly using a blended feed material which contains a greater proportion of finer -325 mesh graphite. Various provisional patents have also been lodged in the United States, in relation to technologies regarding graphite purification and spherical graphite mass production.



Figure 10 – Milling machines at the spherical graphite pilot plant in China

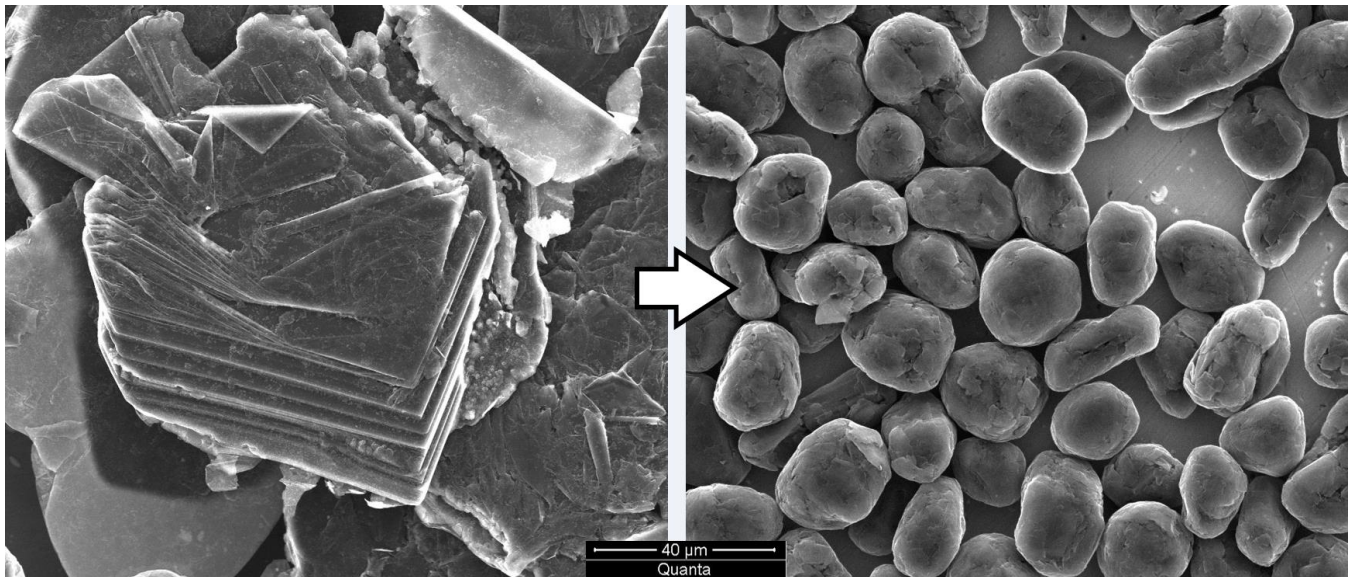


Figure 11 – Balama feed graphite (left) used to produce Balama spherical graphite (right) to leading battery and anode producer specifications (right)

Offtake Agreement

In June 2016, the Company finalised an Offtake Agreement with Marubeni Corporation (Marubeni), a major Japanese integrated trading and investment conglomerate.

The agreement is for a duration of five years and Marubeni will have the exclusive right to import and sell Balama coated and uncoated spherical graphite (Product) in Japan and Korea (Territory). Marubeni will also have the exclusive right to sell Product to a subsidiary of a Japanese or Korean headquartered corporation (excluding certain specifically agreed customers), located outside the Territory.

Marubeni will purchase a total of 50,000 tonnes of Product per annum and will supply the Product to its customers, which consists of the largest battery and anode producers in the world. This Offtake Agreement was finalised after extensive due diligence and product evaluation by these customers. Product prices will be negotiated on a quarterly basis between the parties with reference to the market prices prevailing in the Territory.

LICENSES

The following table lists current licenses held by Syrah Resources Limited and its subsidiaries as at 30 June 2016:

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	EL 4791	Exploration License	Australia	-	-
South ²	17904-	Large Scale	Zambia	-	-
Sasare North ³	HQ-LPL				

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).

Note 3: Syrah submitted a report for the abandonment of this license on 29 March 2016.

Tolga Kumova

Managing Director

Syrah Resources Limited

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About Syrah Resources

Syrah Resources (ASX code: SYR) is an Australian-based industrial minerals and technology company. Syrah is currently constructing the Balama graphite project (Balama) in Mozambique, with commercial production scheduled to commence in Q2 2017. Balama will be the largest global producer, by a substantial margin, of high purity graphite and hosts the world's largest graphite Ore Reserve (JORC Code 2012 compliant), sufficient for over 40 years of production. Balama will target traditional industrial graphite markets and emerging technology markets.

Syrah has completed extensive product certification test work with several major battery producers for the use of Balama spherical graphite in the anode of lithium ion batteries. To underpin this interest by global lithium ion battery manufacturers, Syrah is currently undertaking engineering and commercial studies regarding the construction of a spherical graphite plant in south-eastern USA. This plant would take graphite production from Balama and subject it to further purification and mechanical processing to produce world class spherical product for battery anodes.

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 2016

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	-	(30)
(b) development	(30,746)	(48,624)
(c) production	-	-
(d) administration *	(2,676)	(5,248)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	355	754
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(33,067)	(53,148)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects/farm-ins	-	-
(b) equity investments	-	-
(c) other fixed assets	(6)	(6)
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	-	-
1.12 Proceeds from (payments for) term deposit	-	-
Net investing cash flows	(6)	(6)
1.13 Total operating and investing cash flows (carried forward)	(33,073)	(53,154)

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

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(33,073)	(53,154)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares and exercise of options	194,321	194,321
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	(5,534)	(5,540)
	Net financing cash flows	188,787	188,781
	Net increase (decrease) in cash held	155,714	135,627
1.20	Cash at beginning of quarter/year to date	166,153	191,594
1.22	Exchange rate adjustments to item 1.20	4,104	(1,250)
1.22	Cash at end of quarter	325,971	325,971

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	315,714
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 June 2016.

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	-
4.2 Development	44,590
4.3 Production	-
4.4 Administration	2,873
Total	47,463

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	78,472	130,113
5.2 Deposits at call	247,459	36,000
5.3 Bank overdraft	-	-
5.4 Other – Bank Term Deposits	40	40
Total: cash at end of quarter (item 1.22)	325,971	166,153

+ 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	263,757,392	263,757,392	Fully Paid	Fully Paid
7.4				
	<i>Shares issued</i>			
	32,000,000	32,000,000	\$6.05	\$6.05
	142,745	142,745	\$5.13	\$5.13
	<i>Options exercised</i>			
	250,000	250,000	\$2.81	\$2.81
	22,000	22,000	\$2.12	\$2.12
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>				
	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	1 December 2018
	300,000	-		\$7.48	16 May 2019
	400,000	-		\$5.07	24 May 2019
	1,000,000	-		\$4.58	9 June 2019
	<u>Rights</u>				
	100,707	-		\$0.00	31 December 2017*
	232,296	-		\$0.00	31 December 2018*
7.8	Issued during quarter				
	<u>Options</u>				
	300,000	-		\$7.48	16 May 2019
	400,000	-		\$5.07	24 May 2019
	1,000,000	-		\$4.58	9 June 2019
	<u>Rights</u>				
	232,296	-		-	31 December 2018
7.9	Exercised during quarter				
	<u>Options</u>				
	250,000	-		\$2.81	
	22,000	-		\$2.12	
7.10	Expired during quarter				
	<u>Options</u>				
	NIL	-		-	
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: 25 July 2016

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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