



5 July 2012

Update and Clarification on Potential Grades from Drilling at the Balama Graphite Project

Syrah Resources Limited (ASX: SYR) would like to update the market on the continuing drilling / resource assessment programme at the Balama Graphite Project, and to clarify earlier statements about the potential grade of the thick mineralised intersections encountered in the drilling.

DRILLING UPDATE

Syrah has now completed the tenth hole (BMDD0010 – total depth 250m) of a 14 hole programme (Figure 1) designed to enable the calculation of a resource to be used in the Scoping Study, which will start shortly. BMDD0011 has now been started. All of the 10 holes completed to date have intersected graphitic mineralisation from start to finish. Initial core samples from the drilling have been received at the assay laboratory and results are expected in due course.

CLARIFICATION OF THE POTENTIAL GRAPHITE / VANADIUM GRADES

No assays have yet been received for the ongoing drill programme at Balama. Assay results from the drilling programme will begin to be received later in July. Therefore all inferences about the grade of the mineralisation in the drill holes in past announcements have been drawn from the grade of the mineralisation in the overlying trenches, and visual observations by the geologists in the field that the drill samples are well mineralised and look similar to the trench samples.

As announced by Syrah on 18 April, 328 samples from 8 trenches covering 1800 metres over the Balama mineralisation averaged 14.5% Total Graphitic Carbon (TGC). A further announcement on 5 June reported that the same samples averaged 0.17% vanadium (V). Sampling details were provided in both of these reports. The location of the 6 of these trenches that are in the current drilling area, and their average grades, are shown in Figure 1. It should be noted that all holes have been drilled at 60° to the south east; that is towards the trenches.

ASX Code SYR

Current Corporate Structure

Ordinary Shares

Issued Shares: 125,204,521

Options

Exercisable at 25c: 1,500,000

Exercisable at 26c: 17,000,000

Major Shareholders

Basapa PL 11.27%

Copper Strike Ltd 8.79%

Gasmere PL 8.70%

Kitara Investments PL 8.16%

Board of Directors

Mr Tom Eadie

Non-Executive Chairman

Mr Paul Kehoe

Managing Director

Mr Alistair Campbell

Non-Executive Director

Mr Mike Chester

Non-Executive Director

Ms Melanie Leydin

Company Secretary

Key Projects

Balama Graphite Project (Mozambique) and Nachingwea Graphite Project (Tanzania)

Have the potential to be high tonnage, high grade, flake graphite projects. Balama is mainly medium to coarse flake and Nachingwea is fine to coarse flake. Balama is also highly anomalous in vanadium with sample grades up to 1.25%.

Tanzania Mineral Sands

A very prospective portfolio of mineral sands licence areas, some of which have drill results up to 28% heavy minerals.

Website

www.syrahresources.com.au

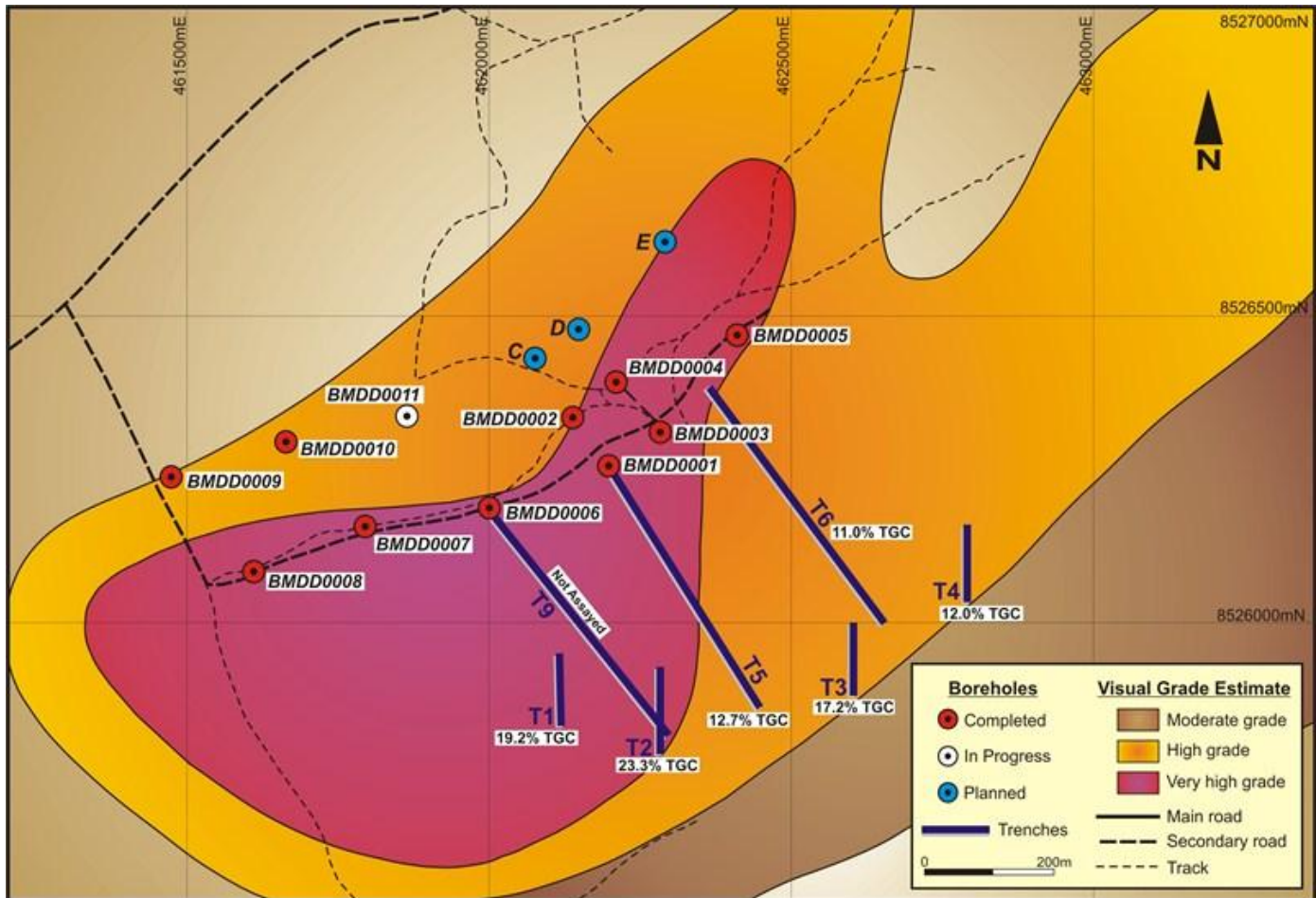


Figure 1: Area of initial resource drilling in the western part of the Balama mineralisation. The 11th hole of a 14 hole programme is in progress. Trench grades are shown. TGC is Total Graphitic Carbon.

Average grades of the six trenches in the drilling area range from 23.3% TGC in Trench T2 to 12.0% TGC in Trench T4. It can be seen in Figure 1 that BMDD0003 was drilled in the vicinity of Trenches T6 (11.0% TGC) and T3 (17.2% TGC) and that BMDD0006 was drilled in the vicinity of T1 (19.2% TGC) and T2 (23.3% TGC). Trench T9 has not yet been assayed.

Of particular interest to the drilling, is the close association of Trench T5 (12.7% TGC) and BMDD0001 which was drilled directly beneath this trench as shown in Figure 2. Clearly BMDD0001 drilled down-dip from the mineralisation in Trench T5 which averaged 12.7% TGC. Furthermore it can be seen that the drill hole only directly tested a higher grade (15.7% TGC) portion of the trench. Assay results from the drill hole are awaited.

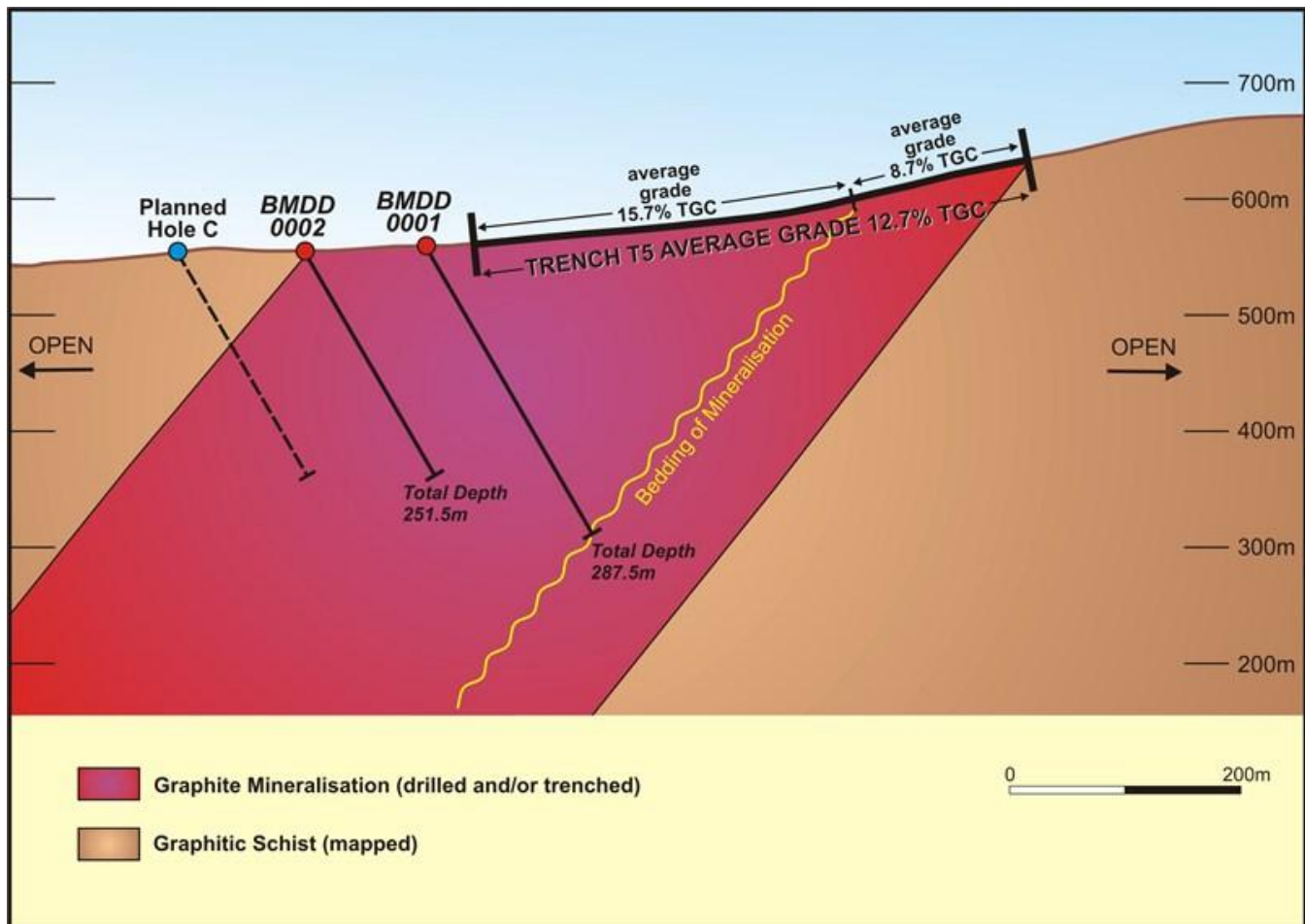


Figure 2: Cross section through the initial drill line at Balama. Mineralisation has been encountered from top to bottom of both completed holes on this line. TGC is Total Graphitic Carbon.

As mentioned above, all inferences about the grade of the mineralisation in the drill holes have been drawn from the grade of the mineralisation in the overlying trenches, and visual observations by the geologists in the field that the drill samples are well mineralised and look similar to the trench samples. Syrah reiterates that there have yet been no analytical results to prove that this is the case.

The information in this report as it relates to geology, geochemical, geophysical and exploration results was compiled by Mr. Tom Eadie, FAusIMM, who is a Competent Person and Chairman of Syrah Resources Limited. Mr. Eadie has more than 20 years experience in the activities being reported on and has sufficient expertise which is relevant to the style of mineralisation and type of deposit under consideration. He consents to the inclusion of this information in the form and context in which it appears in this report.

Paul Kehoe
Managing Director