



23 July 2012

BALAMA GRAPHITE PROJECT UPDATE

Highlights:

- 15 diamond drill holes have been completed in the western portion of the Balama Project covering an initial strike length of over 1km.
- Every hole returned graphite mineralisation over the full extent of the hole except for pegmatite dyke in BMDD0011.
- A substantial maiden JORC resource is expected to be announced after receipt of all assays. Assays are expected to start being received in approximately two weeks.
- Diamond drilling to commence on an eastern section of the Balama Graphite Project. This area has been observed to have what appears to be very high grade graphite outcropping at surface.
- Her Excellency Dr Esperança Bias, the Mozambique Minister for Natural Resources visited Balama in July 2012.
- Discussions with independent consultants for commencement of the Balama Scoping Study are well advanced.

Syrah Resources (ASX: SYR) is pleased to provide an update on its 100% owned Balama Graphite Project in north Mozambique.

DRILLING

Syrah has completed 15 diamond drill holes in the western part of the Balama Graphite Project in north Mozambique over an initial strike length of over 1km. This area was selected for initial drilling as the mineralisation was expected to be relatively high grade based on the reconnaissance trenches in this area which ranged from 11% total graphitic carbon (TGC) in Trench 6 to 23.3% TGC in Trench 2 (Figure 1). Also, the geological complexity of this area was likely to be low as surface outcrop showed good continuity and low levels of pegmatite intrusion or evidence of faulting.

Each of the 15 holes which ranged from 250 to 320m in length, began and ended in graphite mineralisation. Every hole returned graphite mineralisation down the entire length other than BMDD0011 which encountered a 30m thick pegmatite dyke near surface. Assay results are expected to start being received in approximately two weeks time. Delays were experienced in preparing the samples for assay, but these constraints have been resolved. Once all the drill assay results are in hand a maiden JORC resource will be calculated. MSA Group, an independent South African resource consulting group, has been retained to provide a resource estimate.

ASX Code SYR

Current Corporate Structure

Ordinary Shares

Issued Shares: 126,704,521

Options

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

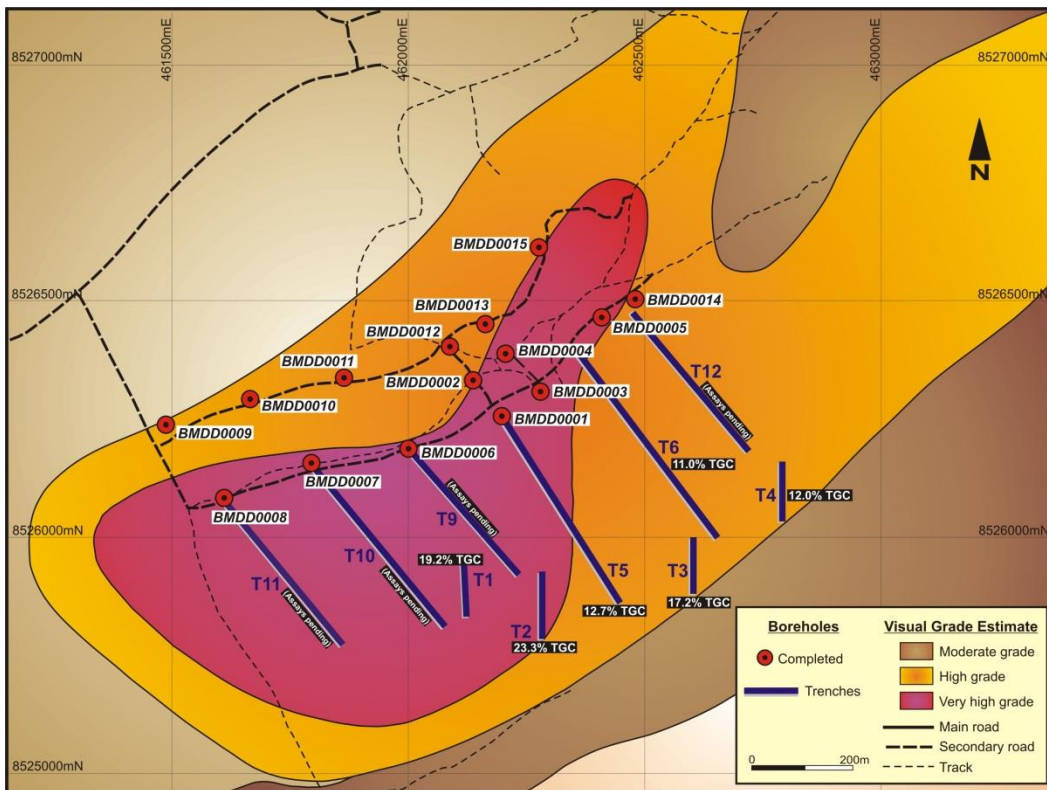


Figure 1 – Completed drilling and trenching map at Balama West



Figure 2 - Graphite rich drill core from hole 8

Drilling will now commence on the eastern part of the Balama Graphite Project, near Mount Coronge, a granite intrusion (Figures 3 & 4). Visual observations suggest that the graphite in this region is very coarse flake with zones of possibly greater than 20% graphite content. Thirteen holes are planned with a depth of between 250-320m.

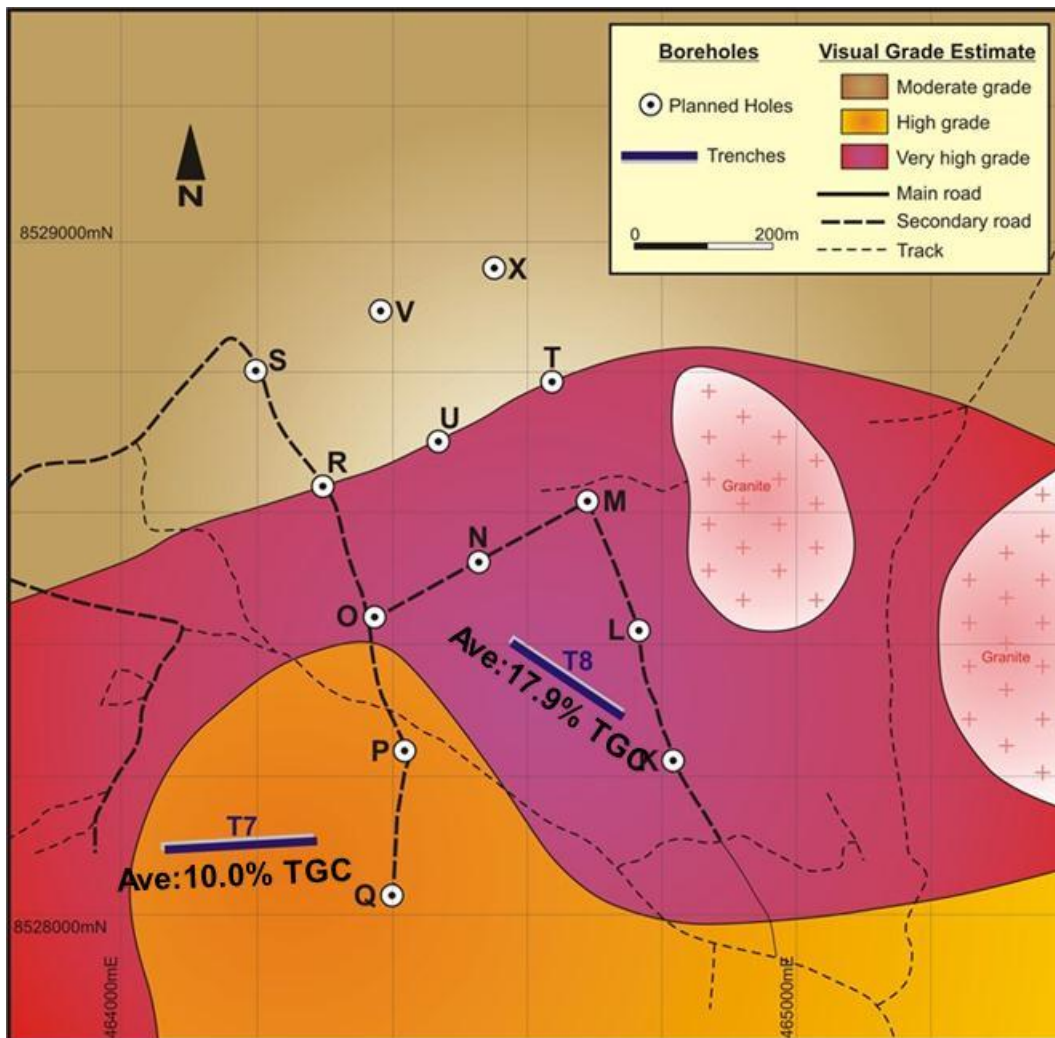


Figure 3 – Planned drilling and completed trenching map at Balama East

An RC rig is due to arrive on site within the next few weeks. The RC rig will be used for scout drilling to identify other areas for a follow up diamond drilling campaign. These may be other high grade areas or zones with graphite that appear different in character to that already drilled. Such graphite may serve end market uses. The RC rig will also be used to delineate the margins of the ore body for future project development planning.

The western area drilled to date and the eastern area to be drilled are shown on the map below (Figure 4):

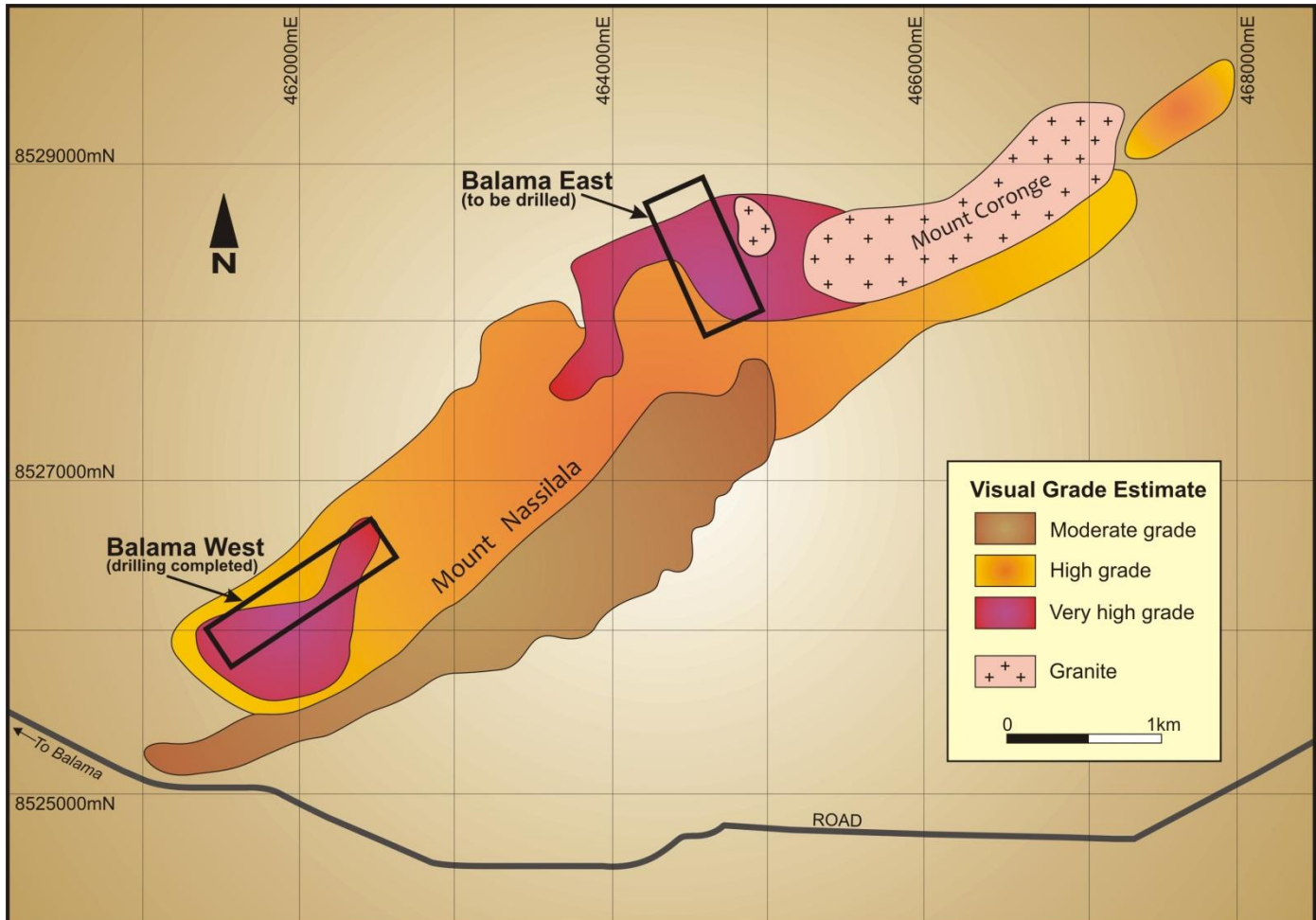


Figure 4 – Map of Balama showing Balama West and new Balama East drilling area

PETROLOGY

Samples of fresh graphitic schists from the western area were sent for petrographic analysis by microscope. The samples are dominated by quartz (55-70%) with graphite (14-19%), mica–roscoelite (15-25%) and traces (<1%) of rutile and tourmaline. This simple assemblage bodes well for achieving a high graphite concentrate during flotation testwork. Earlier metallurgical testwork on weathered samples resulted in a graphite concentrate of greater than 95%.

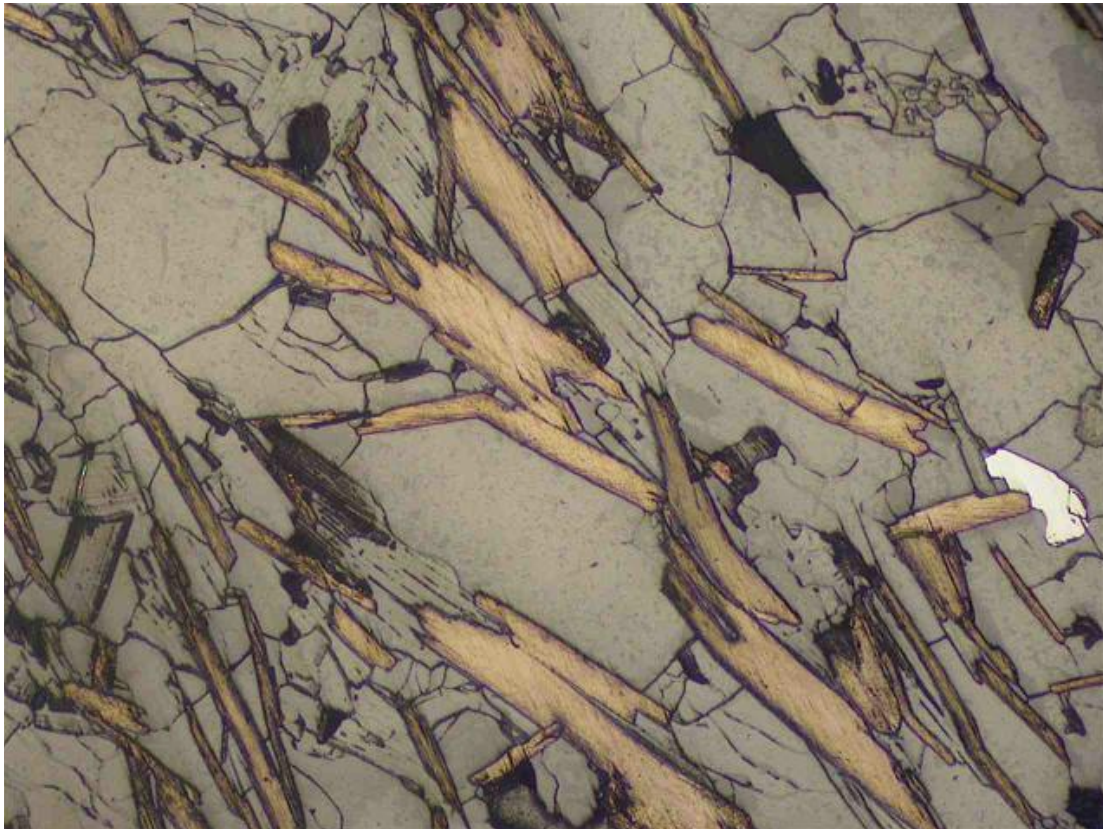


Figure 5 - Oriented flakes of graphite (pale copper brown) within abundant quartz and small flakes of green mica (roscoelite). The whitish mineral is rutile. Plane polarised reflected light. Field of view is 2mm across which suggests most graphite grains are about 500 microns in this slide.

SITE VISIT BY MOZAMBIQUE MINISTER FOR NATURAL RESOURCES

The Minister for Natural Resources, Her Excellency Dr. Esperança Bias visited the Balama Graphite Project during July. Her Excellency was briefed on the project by our site managers and viewed the camp set up and diamond drill core.

SCOPING STUDY

Discussions are well advanced with prospective consultants for the commencement of a Scoping Study on Balama. The Scoping Study team is expected to be finalised in August 2012



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 consents to the inclusion of this information in the form and context in which it appears in this report.

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