

26 April 2016



QUARTERLY ACTIVITIES REPORT – PERIOD ENDING 31 MARCH 2016

Highlights:

Balama Project construction is progressing on budget and schedule:

- Detailed engineering and design is now well advanced
- Steelwork and plate work fabrication is well underway with site deliveries commencing during Q2 2016
- Manufacture of principal mechanical equipment continues and will be delivered to site in Q2 and Q3 2016
- Concrete works have commenced in the key areas of the crushing facility and primary mill foundations

Marketing agreements progress:

- 3 year Offtake Agreement signed with Marubeni Corporation (Marubeni) to purchase 20,000 tonnes of flake graphite per annum for traditional applications in Japan and Korea (Territory)
- Major global battery material manufacturers in the Territory have qualified Balama spherical graphite for its automotive customers' requirements
- A new Memorandum of Understanding has been signed for Marubeni to secure spherical graphite offtake agreements with anode and battery producers in the Territory by 30 June 2016
- Mr Antonio Assis, previously the Worldwide Sales and Marketing Manager at Naçionale de Grafite, has been appointed as General Manager – Sales and Marketing

Spherical graphite progress:

- An Engineering Study for a Proposed Spherical Graphite Facility in the United States will be finalised by mid-2016
- Current scope of the Study is for a facility with the capacity to produce 30,000 tonnes per annum of spherical graphite encompassing a spectrum of battery applications, and 30,000 tonnes per annum of recarburiser

BALAMA GRAPHITE PROJECT (100%)

Development activities

Development activities at the Balama Project remain on budget and schedule with the following key activities underway:

- Detailed engineering and design is well advanced
- Steelwork and plate work fabrication is well underway with deliveries commencing to site during Q2 2016
- Manufacture of principal mechanical equipment continues and will be ready for delivery to site during Q2 and Q3 2016
- Concrete works have commenced in the key areas of the crushing facility and primary mill foundations in preparation for the commencement of construction
- Bitumising of the 7km access road is currently underway and is expected to be completed in Q2 2016
- Tender submissions for Structural, Mechanical and Piping (SMP) construction work have been submitted and are currently being reviewed

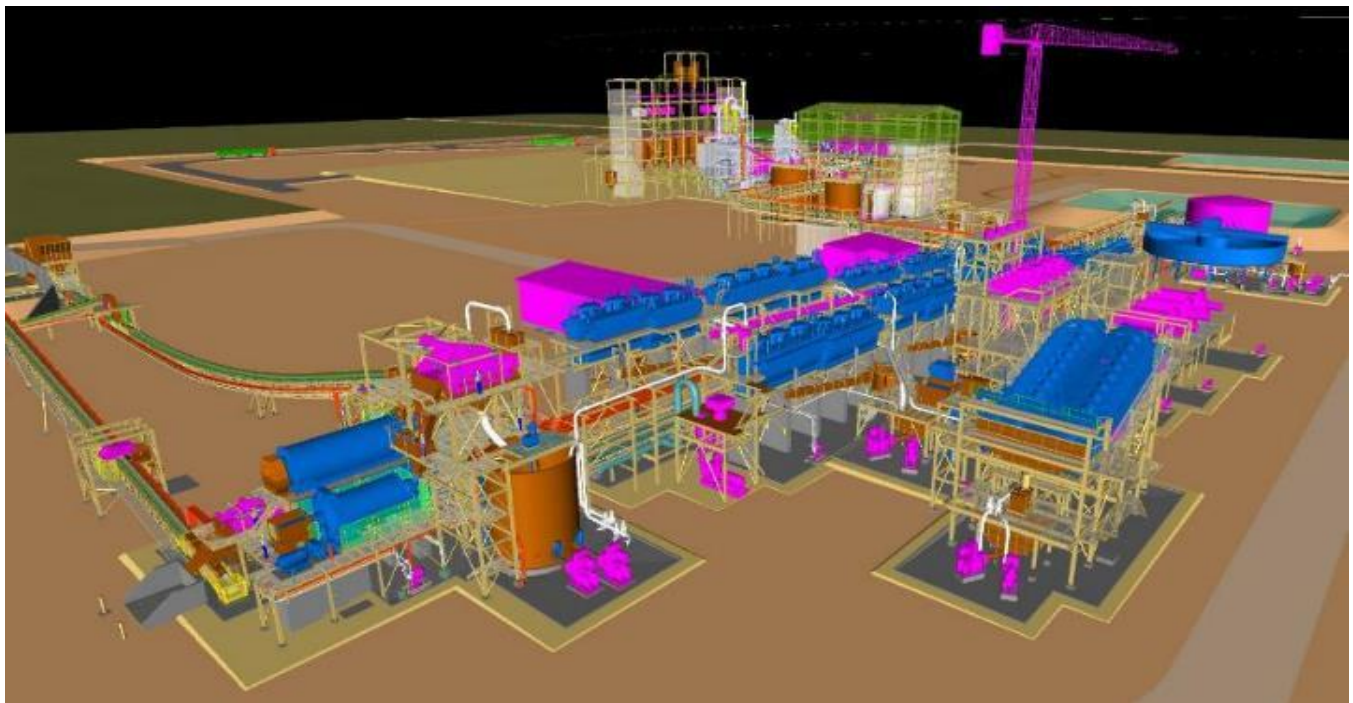


Figure 1 – 3D Model – Balama Primary Milling Circuit

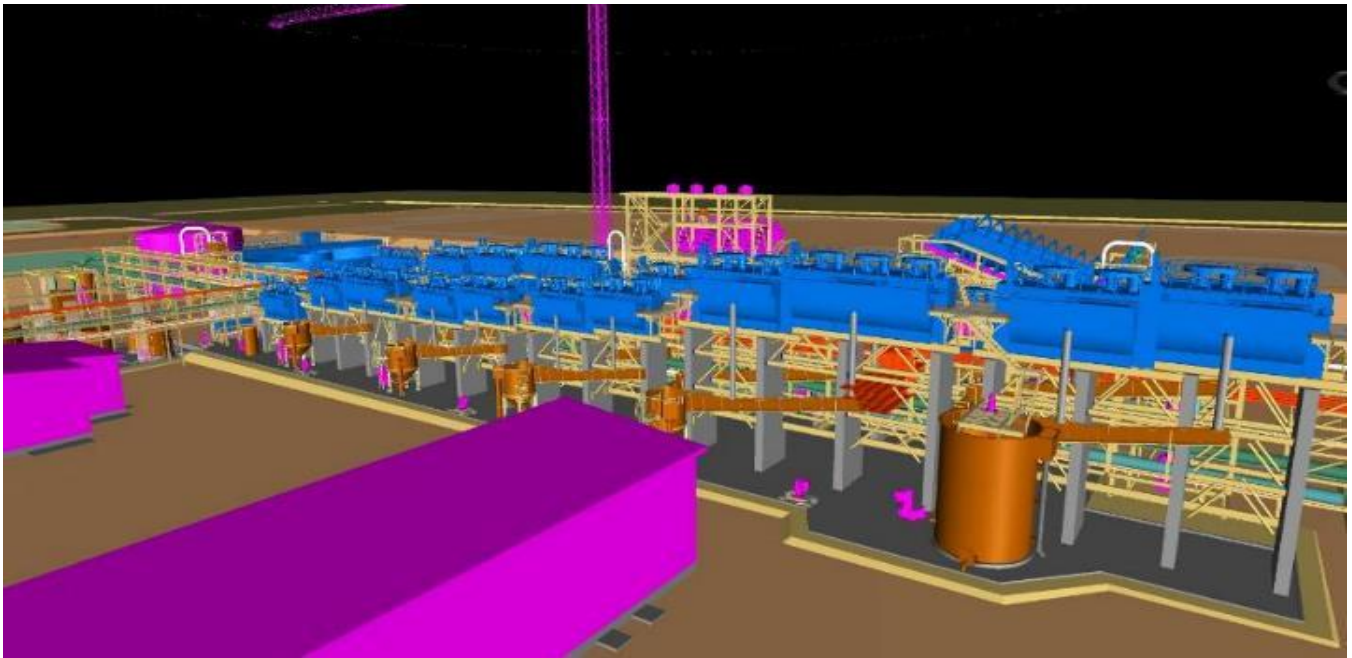


Figure 2 – 3D Model – Balama Flotation Circuit



Figure 3 – Clockwise from top left: Crushing plant, mill components, thickener and ore scrubber in various stages of manufacture



Figure 4 – Balama crushing facility foundations



Figure 5 – Balama ore bin back wall



Figure 6 – Preparation of the access road surface for bitumising

Marketing activities

Syrah has signed an Offtake Agreement with Marubeni Corporation (Marubeni) to purchase 20,000 tonnes of flake graphite per annum (across various size fractions) for traditional applications in Japan and Korea (Territory). The Offtake Agreement is for a three year duration and Marubeni will have the exclusive right to import and sell Balama flake graphite in the Territory. Product prices will be negotiated on a quarterly basis between the parties with reference to the market prices prevailing in the Territory.

In addition, major global battery manufacturers in the Territory have qualified Balama spherical graphite for its automotive customers' requirements. Accordingly, Syrah has signed a new Memorandum of Understanding for Marubeni to secure spherical graphite offtake agreements with anode and battery producers in the Territory by 30 June 2016.

Further spherical graphite samples have now been dispatched to other major battery producers focused on consumer electronics, electric vehicle and grid storage applications for evaluation.

Mr Antonio Assis has been appointed as General Manager – Sales and Marketing. Mr Assis has 28 years of international sales and marketing experience across multiple industries including the graphite sector. His most recent role was with Nacionale de Grafite, as Worldwide Sales and Marketing Manager. The appointment of Mr Assis represents a strong addition to the Syrah team and his in-depth knowledge of the graphite market will be invaluable in assisting Syrah with successfully executing its sales and marketing strategies.

PROPOSED SPHERICAL GRAPHITE PROJECT

In mid-2015, Syrah completed an Internal Economic Assessment on a Proposed Spherical Graphite Facility in the United States. The Company has significantly progressed an Engineering Study which will provide greater certainty around the technical, operational and economic metrics of the Proposed Spherical Graphite Facility. This Engineering Study is expected to be finalised by mid-2016.

The current scope of the Engineering Study is for a facility with the capacity to produce 30,000 tonnes per annum of spherical graphite and over 30,000 tonnes per annum of recarburiser. Syrah will update the market with further details once the study is finalised.

A recent Benchmark Minerals report (March 2016) has noted that spherical graphite prices continue to be more resilient than flake prices. Mid and high prices for 99.95% C uncoated spherical graphite have risen and widening price ranges are an indication of a market that is seeing increasing demand. Benchmark Minerals believes that price rises are intensifying and likely to experience upward pressure for the remainder of 2016.

The recent unveiling of the Tesla Motors' Model 3 is illustrative of the increasing demand for spherical graphite that is expected to occur over the short and medium term. The Model 3 had pre-orders of almost 400,000 vehicles three weeks after launching, which will require almost 29,000 tonnes of coated spherical graphite (based on Benchmark Minerals estimates). This equates to nearly 58% of total global spherical graphite supply in 2015. In addition, this excludes demand from other electric vehicle and battery producers, as well as demand from other applications such as consumer electronics and grid storage.

Benchmark Minerals estimates that at least 12 lithium ion battery megafactories are in the pipeline between now and 2020. These are classified as new or existing plants being planned, constructed or expanded to gigawatt hour capacity. Of these 12 operations, only two are located in the US (Nevada and Michigan), while 7 are located in China. Europe, Taiwan and Korea are the three other locations expecting significant new battery capacity.

Based on the forecast demand profile, Syrah believes that the Proposed Spherical Graphite Facility will need to be significantly expanded over time.

CORPORATE

Managing Director's Remuneration Arrangements

During the quarter, the Remuneration and Nomination Committee engaged the services of Mercer Australia Pty Ltd (Mercer) to provide remuneration advice regarding Non-Executive and Executive Directors, and Key Management Personnel, covering fixed remuneration and short and long term incentives.

Based on the results of this review the Board has resolved to set the group's target remuneration philosophy for Executive Directors and Key Management Personnel (consisting of the Chief Operating Officer and Chief Financial Officer) for the year ended 31 December 2016 at the 25th percentile (P25) of the following peer group and according to the following targeted remuneration mix:

(i) Peer Group – Year ended 31 December 2016

Ferroglobe PLC (GSM.O)	Nevsun Resources Ltd (NSU.TO)
HudBay Minerals Inc (HBM.TO)	OZ Minerals Limited (OZL.AX)
Iluka Resources Limited (ILU.AX)	Polymet Mining Corp (POM.TO)
Imperial Metals Corp (IIM.TO)	Sandfire Resources NL (SFL.AX)
Independence Group NL (IGO.AX)	Talga Resources Limited (TLG.AX)
Ivanhoe Mines Ltd (IVN.TO)	Tokai Carbon Co. Ltd (5301.T)
Magnis Resources Limited (MNS.AX)	Vedanta Resources plc (VED.L)
Materion Corporation (MTRN.N)	Western Areas Limited (WSA.AX)
Metals X Limited (MLX.AX)	

(ii) Targeted Remuneration Mix – Year ended 31 December 2016

Key Term	Details	Targeted Remuneration Mix
Total Fixed Remuneration (TFR)	TFR comprises a base salary plus statutory superannuation	55%
Short Term Incentive (STI)	STI is the short term incentive component of Total Remuneration	20%
Long Term Incentive (LTI)	LTI is the long term incentive component of Total Remuneration	25%
Total Remuneration	TFR plus STI and LTI	100%

Accordingly, the remuneration arrangements for the Company's Managing Director, Tolga Kumova, effective from 1 January 2016 are now:

Total Fixed Remuneration (TFR)	\$515,000 (inclusive of statutory superannuation at 9.5%)
Short Term Incentive (STI)	<p>An STI benefit of 35% of TFR totaling \$180,250 comprising of a 50% cash payment and 50% payable in fully paid ordinary shares of Syrah (subject to shareholder approval).</p> <p>This benefit is only received if annual individual and corporate key performance indicators as set by the Remuneration and Nomination Committee with oversight from the Board of Directors are achieved.</p> <p>The Managing Director's key performance indicators will be split 50/50 between individual and corporate performance targets.</p>
Long Term Incentive (LTI)	<p>An LTI benefit of 45% of TFR totaling \$231,750 comprising of Performance Rights.</p> <p>The LTI comprises of Performance Rights that will be granted, subject to shareholder approval, on an annual basis with vesting contingent on the achievement of specific performance hurdles over a three year vesting period.</p> <p>The performance hurdles involve an assessment of the Company's Total Shareholder Return relative to the above peer group of companies.</p>

All other key terms of the Managing Directors employment contract as announced by the Company to the ASX on 11 January 2016 remain unchanged.

LICENSES

The following table lists current licenses held by Syrah Resources and its subsidiaries as at 31 March 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 South ²	EL 4791	Exploration License	Australia	-	-
Sasare North ³	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.

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

Tolga Kumova

Managing Director

Syrah Resources Limited

Office Contact - +61 3 9670 7264

Mobile Contact - +61 421 707 155

Email – t.kumova@syrahresources.com.au

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 Balama 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 MARCH 2016

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 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)	(30)
(b) development	(17,877)	(17,877)
(c) production	-	-
(d) administration *	(2,572)	(2,572)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	399	399
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(20,080)	(20,080)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects/farm-ins	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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	-	-
1.13 Total operating and investing cash flows (carried forward)	(20,080)	(20,080)

* 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)	(20,080)	(20,080)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares and exercise of options	-	-
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	(6)	(6)
	Net financing cash flows	(6)	(6)
	Net increase (decrease) in cash held	(20,086)	(20,086)
1.20	Cash at beginning of quarter/year to date	191,594	191,594
1.22	Exchange rate adjustments to item 1.20	(5,355)	(5,355)
1.22	Cash at end of quarter	166,153	166,153

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	235,610
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 March 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

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	42,024
4.3 Production	-
4.4 Administration	2,848
Total	44,872

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	130,113	151,554
5.2 Deposits at call	36,000	40,000
5.3 Bank overdraft	-	-
5.4 Other – Bank Term Deposits	40	40
Total: cash at end of quarter (item 1.22)	166,153	191,594

+ 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)	Amount paid up per security (see note 3)
7.1 Preference + securities (description)	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	231,342,647	231,342,647	Fully Paid	Fully Paid
7.4 Changes during quarter (a) Increases through issues	<i>Shares issued</i> 75,493	75,493	\$3.55	\$3.55
(b) Decreases through returns of capital, buy-backs	<i>Options exercised</i> NIL	-	-	-
7.5 +Convertible debt securities (description)	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ 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	1 December 2018
	<u>Rights</u>				
	100,707	-		\$0.00	31 December 2017*
7.8	Issued during quarter	<u>Options</u>			
		NIL	-	-	
		<u>Rights</u>			
		NIL	-	-	
7.9	Exercised during quarter	<u>Options</u>			
		NIL	-	-	
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:



Date: 26 April 2016

Company Secretary

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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