

16 June 2016



## SYRAH ANNOUNCES COMPANY UPDATE AND FULLY UNDERWRITTEN A\$194 MILLION CAPITAL RAISING

### NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Syrah Resources Limited (ASX:SYR) ("Syrah" or the "Company") is pleased to provide a Balama Project development update and announce a fully underwritten A\$194 million capital raising to complete the funding of the Balama Project, provide balance sheet flexibility and further accelerate the Company's spherical graphite strategy. A detailed presentation ("Equity Capital Raising Presentation") has been released separately to the ASX in conjunction with this announcement.

### **BALAMA PROJECT UPDATE**

Syrah has made significant progress in the development of the Balama Project which has the effect of materially de-risking the construction of this strategic asset. The development of the Balama Project positions Syrah to become a leading supplier of graphite to industrial and high growth, emerging technology markets. The Company is positioned to deliver on its advantage as one of the early movers in the sector.

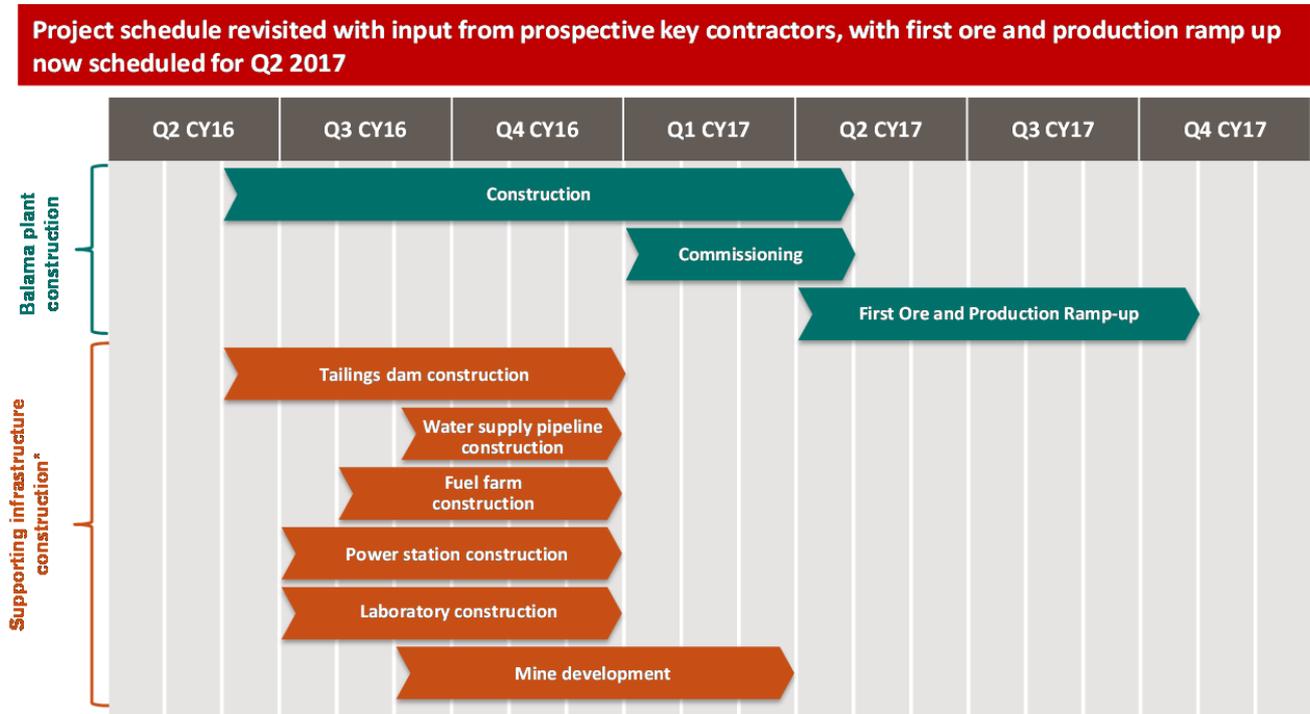
Key construction activities undertaken to date include:

- Engineering and procurement activities are well advanced and mechanical equipment and structural steel deliveries to site have now commenced
- Process plant and infrastructure concrete works progressing
- Notices of Award issued for major construction contract (Structural, Mechanical and Piping) and other various operational contracts (including mining, product transport and logistics as well as fuel supply)<sup>1</sup>
- Expansion of the existing camp accommodation is progressing in line with resourcing requirements
- Key construction and operational staff being progressively recruited with a number of positions being awarded to qualified Mozambican nationals.

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<sup>1</sup> Notices of award remain subject to negotiation and execution of a binding contract between the parties.

The project schedule has been revisited with input from key prospective contractors, with first ore and production ramp up now scheduled for Q2 2017.



\* Syrah is targeting completion of the majority of supporting infrastructure construction by the end of 2016.

**Figure 1 – Revised Balama Project schedule**

Project cost estimates have been updated and decisions taken to enhance the project scope which are expected to deliver a more robust operation and consistent production of a range of high quality graphite products:

- Key changes include Syrah now funding the purchase of a power station (previously a BOOT alternative considered)<sup>2</sup>, enhanced wet and dry screens and drying equipment, and upgraded liners for the tailings storage facility, waste dumps and ROM pad
- Estimated total development cost requirements for the Balama Project have been revised from US\$144m (CPC Engineering FEED Study)<sup>3</sup> to US\$175m (US\$39m has been spent to 31 May 2016)
- Estimated working capital requirements have been revised from US\$30m to US\$47m to provide increased flexibility during production ramp up and provide an allowance for the timing of tax refunds.

<sup>2</sup> The May 2015 Balama feasibility study contemplated a Build Own Operate Transfer (“BOOT”) structure. Syrah now to purchase power station up front.

<sup>3</sup> Refer to ASX announcement dated 3 August 2015.

## SPHERICAL GRAPHITE STRATEGY

Syrah is seeking to further accelerate its spherical graphite strategy in response to significant market demand:

- Appointment of Li-ion battery expert Dr. Lampe-Onnerud to the Syrah Resources Board during May 2016
- Further enhancements to the detailed engineering study including the optimisation of spheroidisation technology, methodology and product quality specifications
- Planning for a pilot plant which mirrors the components of an industrial scale facility, to enable further product qualification and process optimisation
- 50ktpa spherical graphite offtake agreement signed with Marubeni<sup>4</sup>.

## CAPITAL RAISING

Syrah is pleased to announce a fully underwritten equity raising ("Offer") to raise gross proceeds of approximately A\$194 million by way of an Institutional Placement to professional and sophisticated investors.

### Offer details

Under the terms of the Offer, institutional investors will subscribe for 32 million new shares in the Company at A\$6.05 per share ("Offer Price"), to raise approximately A\$194 million before costs. The Shares issued under the Offer ("New Shares") will represent approximately 12.2% of the Company's undiluted share capital immediately following completion of the Placement. New Shares issued under the Offer will rank equally with existing Syrah shares. An indicative timetable for the Offer is set out in the Appendix of this announcement.

The Offer Price of A\$6.05 represents a discount of:

- 5.5% to Syrah Resources closing price of A\$6.40 on the ASX as at 15 June 2016
- 2.2% to Syrah Resources 10 day volume weighted average price of A\$6.19 up to and including 15 June 2016

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<sup>4</sup> Condition precedent is that the Company must issue Marubeni with a Notice of Intended Commercial Production stating that the Spherical Graphite Facility is capable of achieving adequate commercial production rates by 31 December 2019.

## Use of Proceeds

The proceeds of the Offer will be used to:

- Complete the development of the Balama Project (including working capital requirements) and to fund Syrah's general and administrative cost requirements
- Provide balance sheet flexibility and allow the Company to accelerate its spherical graphite strategy in response to significant market demand, by way of:
  - (i) Further enhancements to the detailed engineering study including the optimisation of spheroidisation technology, methodology and product quality specifications; and
  - (ii) Planning for a pilot plant which mirrors the components of an industrial scale facility, to enable further product qualification and process optimisation.

The proceeds of the Offer are expected to be converted into US dollars upon receipt (representing the underlying currency in which expenditure will be incurred).

Chairman of Syrah, James Askew, said: *"The Board and I are delighted with the strong progress being made by the Syrah team in the development of the Balama Graphite Project. The proceeds of the capital raising will give Syrah increased flexibility during a pivotal time for the Company and allow Syrah to pursue its stated strategy on behalf of shareholders."*

Managing Director of Syrah, Tolga Kumova, said: *"We are extremely pleased with the enormous support that has been shown by our shareholders to date. The Company is now in a unique position to deliver on its advantage as one of the early movers in the graphite sector and become a leading, vertically integrated supplier of high quality, enhanced value graphite products"*.

### **Tolga Kumova**

Managing Director

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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 one of the largest global producers 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 – INDICATIVE TIMETABLE

Event	Date
Trading Halt	Thursday, 16 June 2016 (pre-market open)
Announcement of Offer and Bookbuild opens	Thursday, 16 June 2016 (pre-market open)
Bookbuild closes	Friday, 17 June 2016
Trading halt lifted and Syrah shares resume trading	Monday, 20 June 2016
Settlement of Offer	Wednesday, 22 June 2016
Issue and commencement of trading of New Shares under the Offer	Thursday, 23 June 2016

*The above timetable is indicative only and subject to change without notice. All references to time are to Australian Eastern Standard Time (AEST). The commencement of quotation of New Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, Syrah reserves the right to amend this timetable at any time without notice.*

## **Important notices**

This announcement is not a financial product or investment advice, a recommendation to acquire Shares or financial, accounting, legal or tax advice. The information in this announcement does not contain all the information necessary to fully evaluate an investment. It should be read in conjunction with the other materials lodged with ASX in relation to the Offer (including the investor presentation and the key risks set out therein), and Syrah's other periodic and continuous disclosure announcements. This announcement has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the information in this announcement and in the investor presentation in relation to the Offer having regard to their own objectives, financial and tax situation and needs, and should seek legal, tax and other professional advice. Syrah is not licensed to provide financial product advice in respect of an investment in shares.

## **NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

This announcement does not constitute an offer, invitation or recommendation to subscribe for or purchase any Shares and neither this announcement nor anything contained in it shall form the basis of any contract or commitment. In particular, this announcement does not constitute an offer to sell, or a solicitation of an offer to buy, shares in Syrah ("Shares") in the United States or to any person acting for the account or benefit of a person in the United States, or in any other jurisdiction in which such an offer would be unlawful. The Shares referred to herein have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act"), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States or to any person acting for the account or benefit of a person in the United States, unless the Shares have been registered under the Securities Act or an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws is available.

This announcement contains certain forward-looking statements. The words "expect", "should", "will", and other similar expressions are intended to identify forward-looking statements. Forward-looking statements in this announcement include statements regarding: the timetable and outcome of the equity offer and the use of the proceeds thereof, the viability of future opportunities such as spherical graphite and vanadium, future market supply and demand. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, including projections, guidance on future earnings and estimates are provided as a

general guide only and should not be relied upon as an indication or guarantee of future performance. To the extent that this announcement contains forward looking information, the forward looking information is subject to a number of risk factors, including those generally associated with the mining industry. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including the Company). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. The forward-looking statements in this announcement speak only as of the date of this announcement. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, the Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this announcement to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this announcement will under any circumstances create an implication that there has been no change in the affairs of Syrah since the date of this announcement.

Investors should note that it is a requirement of the ASX listing rules that the reporting of ore reserves and mineral resources in Australia comply with the Australasian Joint Ore Reserves Committee Code for Reporting of Mineral Resources and Ore Reserves (the "JORC Code"), whereas mining companies in other countries may be required to report their mineral reserves and/or resources in accordance with other guidelines (for example, SEC Industry Guide 7 in the United States). Investors should note that while the Company's mineral resource estimates comply with the JORC Code, they may not comply with the relevant guidelines in other countries, and do not comply with SEC Industry Guide 7. In particular, Industry Guide 7 does not recognise classifications other than proven and probable reserves and, as a result, the SEC generally does not permit mining companies to disclose their mineral resources in SEC filings. Accordingly, if the Company were reporting in accordance with SEC Industry Guide 7, it would not be permitted to report any mineral resources, and the amount of reserves it has estimated may be lower. You should not assume that quantities reported as "resources" will be converted to reserves under the JORC Code or any other reporting regime or that the Company will be able to legally and economically extract them. In addition, investors should note that under SEC Industry Guide 7, mine life may only be reported based on ore reserves.