



MEMORANDUM OF UNDERSTANDING FOR OFFTAKE AGREEMENT SIGNED WITH CHALIECO, A MEMBER OF THE CHINALCO GROUP

7 March 2014

Highlights:

- MOU for offtake for 80,000-100,000 tonnes of graphite and a quantity of vanadium to be determined, signed with Chalieceo, a member of the Chinalco Group.
- Parties to negotiate a legally binding offtake agreement within three months of signing the MOU
- Chalieceo intends to use the graphite mainly as a substitute for petroleum coke, anthracite and other forms of carbon used to manufacture aluminium cathode and anode blocks
- Syrah expects to announce further offtake developments in other jurisdictions in the coming months.

Introduction

SYR Resources (ASX:SYR) is very pleased to announce that it has signed a Memorandum of Understanding (MOU) for an Offtake Agreement with China Aluminum International Engineering Corporation Limited (Chalieceo), a multi-award winning engineering design and consultancy company. Chalieceo is an affiliate company of Aluminum Corporation of China (Chinalco), the world's second largest alumina producer, the third largest primary aluminium provider and the fifth largest fabricated aluminium producer. Details of Chalieceo and Chinalco can be found at the end of this announcement.

Syrah Resources Ltd (ABN 77 125 242 284). Level 9/356 Collins Street
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ASX Code SYR

Current Corporate Structure

Ordinary Shares

Issued Shares: 162,385,614

Options

Exercisable at \$0.26:	2,489,467
Exercisable at \$2.21:	220,000
Exercisable at \$2.90:	250,000
Exercisable at \$3.87:	1,000,000

Major Shareholders

Directors	22.28%
Citicorp Nom PL	11.59%
Copper Strike Ltd	6.77%
HSBC Custody Nom Aus Ltd	4.92%
Gasmere PL	4.00%

Board of Directors

Mr Tom Eadie
Non-Executive Chairman

Mr Paul Kehoe
Managing Director

Mr Tolga Kumova
Executive Director

Mr Rhett Brans
Non-Executive Director

Ms Melanie Leydin
Company Secretary

Key Project

Balama Graphite Project (Mozambique)

Balama is the largest and one of the highest grade flake graphite and vanadium projects globally.

www.syrahresources.com.au

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Under the MOU, Chalieceo will buy 80,000-100,000 tonnes of flake graphite and an amount of >98% V₂O₅ chemical powder or flake products to be determined. The MOU requires the parties to negotiate a legally binding offtake agreement within three months of signing the MOU. The final offtake agreement will firm up V₂O₅ volume requirements and also both graphite and V₂O₅ pricing.

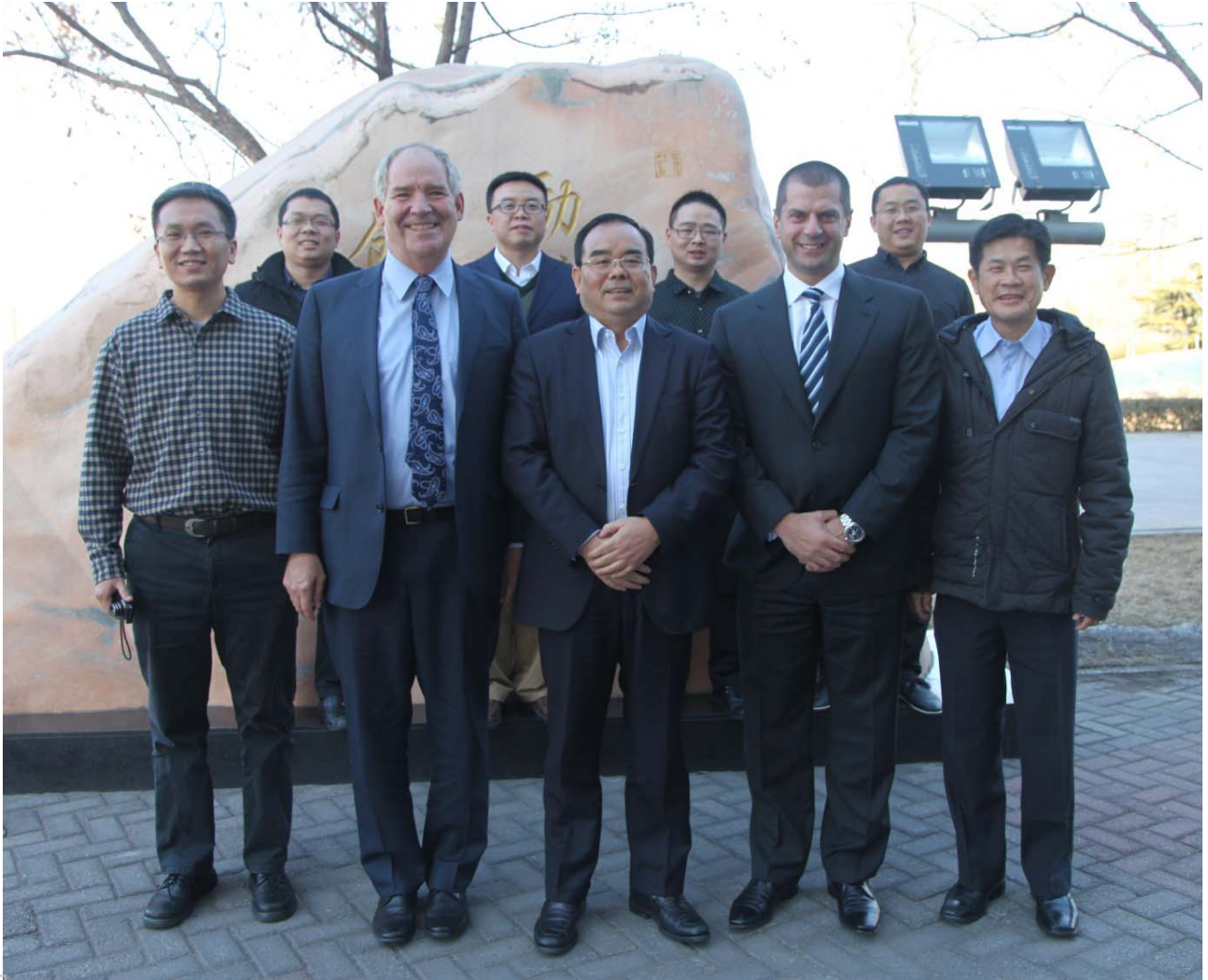


Figure 1 - Chalieceo and Syrah Resources representatives. Pictured from left to right - front row - Mr Yang Kai (Deputy General Manager of International Business), Mr Tom Eadie (Chairman of Syrah), Mr He Zihui (Executive Director and President of Chalieceo), Mr Tolga Kumova (Executive Director), Mr Michael Chan (General Manager, Balama Project Development). Back row - Mr Jing Zhengqiang (Senior Engineer Chalieceo Changsha), Mr Qiu Peng (Business Manager Chalieceo), Mr Gao Hongbo (Business Manager Chalieceo Changsha), Mr Yang Biao (Deputy General Manager of International business Chalieceo Changsha)

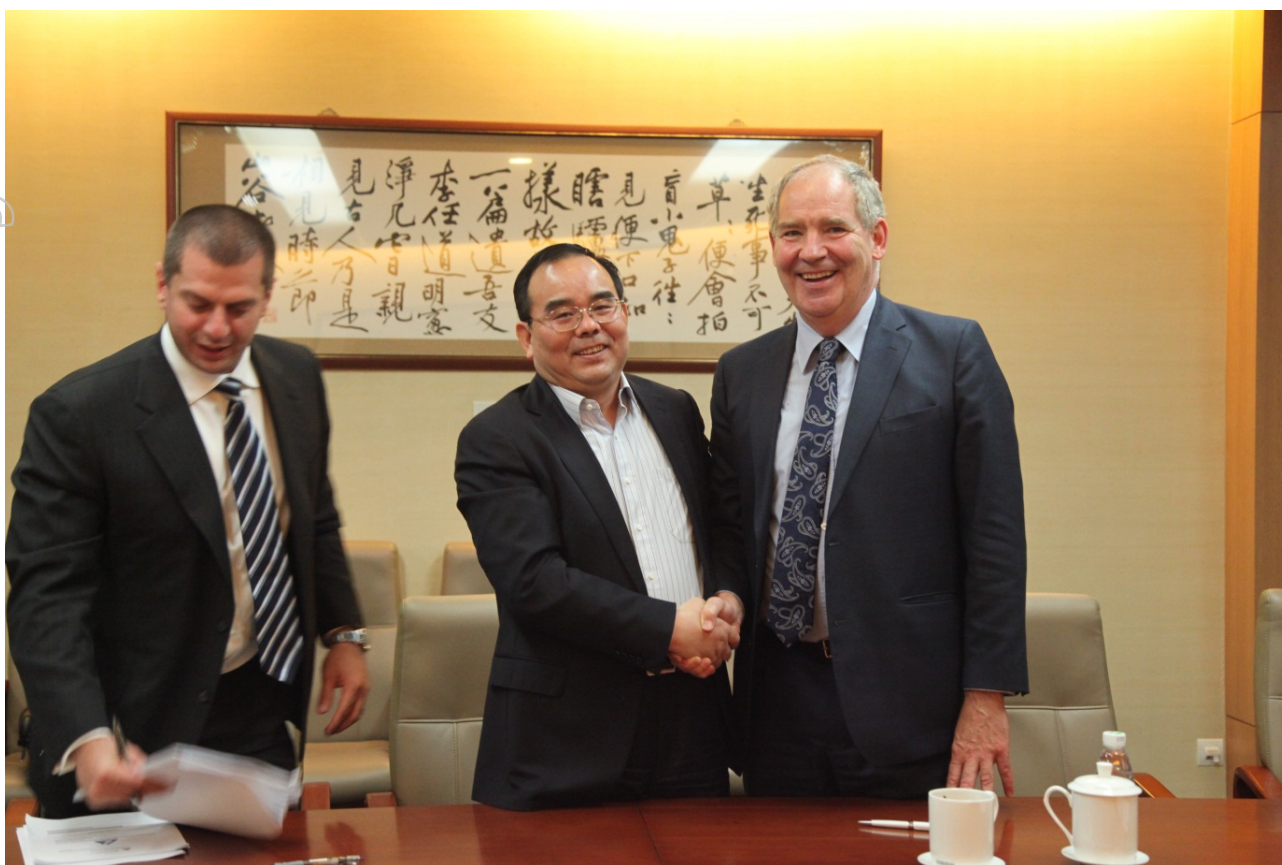


Figure 2 – Mr He Zhihui (Executive Director and President of Chalieco) and Tom Eadie (Chairman of Syrah Resources) shaking hands on signing of MOU. Tolga Kumova, Executive Director of Syrah on left.

Syrah is continuing offtake discussions with other parties for both graphite and vanadium and expects to be able to announce further offtake developments in the coming months.

USE OF GRAPHITE BY CHALIECO

Chalieco intends to use graphite purchased from Syrah for three main reasons. Firstly, there is currently a shortage of high quality graphite in China as graphite production has been ceased in Shandong Province due to environmental issues as hydrofluoric acid used to upgrade the graphite contaminated nearby water supplies (note Syrah does not need to use acids to upgrade its graphite to a high grade graphite concentrate). A substantial amount of the world's high quality graphite was produced from Shandong Province. China is believed to consume about 40% of world graphite consumption (source: Industrial Minerals data) and graphite is a critical material required in the steel industry. China accounts for about 36% of world steel production (based on 2012 statistics) and the steel industry is one of the main drivers to China's economy.

Secondly, the Chinalco group expects to use Balama graphite in its anode blocks in its aluminium smelters. Anodes are large carbon blocks which are used to conduct electricity during the aluminium reduction process of aluminium oxide (Al_2O_3) to aluminium metal (Al). Typically, green petroleum coke is used in anode blocks after being calcinated by an aluminium smelter. About 560kg of anodes are consumed per tonne of aluminium produced. This requires about 450kg of green petroleum coke or 360kg of calcined petroleum coke for 1 ton of aluminium production. Over 13 million tonnes a year of anodes are required for aluminium production resulting in over 8 million tonnes of calcined petroleum coke being used per annum.

Graphite has two qualities that make it preferable to petroleum coke. Graphite has superior electrical conductive properties relative to petroleum coke. Also, due to its crystalline structure, natural graphite is heat resistant and deteriorates slower when in the presence of extreme heat (such as in a smelter). The main disadvantage of using graphite compared to petroleum coke is that it is more expensive. However, substituting 10-15% of calcined petroleum coke with flake graphite fines has a material improvement in efficiency of aluminium smelters. As most aluminium smelters work on low margins, Syrah expects further uptake of graphite in the global aluminium industry.



Figure 3 – An anode block used in aluminium smelting (Picture source: Baotou Aluminum (Group) Co. Ltd - member of the Chinalco group (<http://en.baotou-al.com/>))

Finally, Chinalco intends to use Balama graphite as cathode blocks in its aluminium smelters. Cathode blocks line the bottoms and sides of processing tanks (called electrolysis cells) within aluminium smelters. Traditionally, the cathode blocks have been made out of carbon materials such as petroleum coke and anthracite. However, cathode blocks made from graphite save on energy costs (due to their electrical conductivity) and are more resistant to wear and tear (due to the physical properties of flake graphite). However, like anode blocks, the cost of natural graphite is higher than that of petroleum coke and anthracite, which is why graphite is not the usual favoured material for cathode block production. Where it is used, it is normally mixed with other carbon materials such as petroleum coke or anthracite.



Figure 4 – Cathode blocks used in aluminium smelting. (Picture source: Chinalco (<http://www.chalco.com.cn>))

The Chinalco Group is the largest producer of carbon anode block and semi-graphitic cathode carbon block in China. Baotou Aluminium (Group) Co.,Ltd, a member of the Chinalco Group makes solid graphite carbon blocks. These blocks are used internally by the Chinalco Group and also sold around the world.

ABOUT CHALIECO

China Aluminum International Engineering Corporation Limited (Chalieco) is affiliated to Aluminum Corporation of China (Chinalco). Established on December 16th 2003 with approval from State Administration for Industry and Commerce, Chalieco primarily conducts engineering design and consultancy, engineering and construction contracting and equipment manufacturing businesses.

Currently Chalieco consists of four of the first eight large-scale design and research institutes established in 1950s and 1960s in the nonferrous metals industry, one survey and design institute and five construction enterprises. Chalieco was extensively involved in the planning, design, research and construction of various industries including metallurgy, transportation, electric power, petroleum, chemical industry, building materials and creating several "First in China" and setting a number of industrial records. Chalieco enjoys high reputation due to the notable contribution it has made, which positively promote the development of national economy and social benefits, particularly, the growth and technical progress of non-ferrous metals industry in China.

Chalieco persists in the implementation of human resources, technology development and globalisation strategies to diversify its business scope by making use of both domestic and overseas markets and resources. While committing itself to grow into an international top rank engineering corporation, Chalieco is a leading technology, engineering service and equipment provider in the nonferrous metals industry in China, capable of providing integrated solutions throughout various stages of the nonferrous metals industrial chain and the related aspects.

Chalieco vigorously takes part in the development and construction of infrastructure, ecological & environmental engineering and public utilities, making significant contribution to the building of a resource-saving and environment-friendly society. As a result, Chalieco was honored as an AAA-class corporation in credit rating of non-ferrous metals industry and "AAA Credible Organization" in China international trade and cooperation field.

ABOUT CHINALCO

Established on February 23, 2001, Aluminium Corporation of China (hereinafter referred to as "Chinalco") is a key state-owned enterprise directly supervised by the central government. It is China's largest nonferrous metals enterprise principally engaged in mineral resources development, nonferrous metals smelting and processing, related trading as well as engineering and technical services. It is now the world's second largest alumina producer, the third largest primary aluminium provider and the fifth largest fabricated aluminium producer. It also has the strongest copper capabilities in China. Chinalco, as it stands today, has 66 member enterprises. It operates in more than 20 countries and regions. Its total assets have grown to 470 billion yuan and its sales revenue in 2012 amounted to 240 billion yuan. It has been ranked as a Fortune Global 500 company for six years in a row. The Company's 5 controlled subsidiaries are listed at home and abroad. These five subsidiaries being; Chalco is listed in

Hong Kong, New York and Shanghai, Chalieceo and CMC are listed in Hong Kong, and Yunnan Copper and Yinxing Energy are listed in Shenzhen.

Chinalco's mid- and long-term strategy is to strengthen its aluminum business, optimize its copper segment and improve the sector of rare metals, with other segments supporting these core businesses. Chinalco will expedite the shift to the upper stream of the industrial chain and the high end of the value chain, enhance the supply for strategic mineral resources and the national defence industry, and build itself into a world-class mining company with the greatest growth potential.

Paul Kehoe

Managing Director

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About Syrah Resources

Syrah Resources (ASX code: SYR) is an Australian resource company with a diversified exploration portfolio located in southeast Africa. The Company is rapidly progressing its core Balama Graphite and Vanadium Project in Mozambique to production. Balama is a 106 km² granted prospecting licence located within the Cabo Delgado province in the district of Namuno in northern Mozambique. The project is approximately 265 km by road west of the port town of Pemba. Pemba Port is a deep-water container port, and the third largest in Mozambique. The Balama Project site is accessible by a sealed, main road, running directly from the airport and Pemba Port. The main road is located 1 km from the airport. Syrah's exploration portfolio also includes a strategic mineral sands portfolio in Tanzania, comprising eight tenement areas, some with high grade heavy mineral intersections, and the Nachingwea graphite project in Tanzania.