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RESOURCES

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**Syrah Resources Limited**  
**ABN 77 125 242 284**

**INTERIM REPORT**  
**for the half-year ended 30 June 2016**

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## **DIRECTORS' REPORT**

The directors present their report on Syrah Resources Limited ("Syrah", "the Group", "the Company" or "the consolidated entity"), consisting of Syrah and the entities it controlled at the end of, or during, the six-month interim period ended 30 June 2016. These results represent the first interim period since the Company changed its financial year-end to 31 December.

### **Directors**

The following persons were directors of Syrah Resources Limited during the whole of the half-year period and up to the date of this report, unless otherwise stated:

James Askew	Non-Executive Chairman
Tolga Kumova	Managing Director
Sam Riggall	Non-Executive Director
Christina Lampe-Onnerud	Non-Executive Director (Appointed on 24 May 2016)
Rhett Brans	Non-Executive Director
José Manuel Caldeira	Non-Executive Director

### **Principal activities**

The principal continuing activities of the consolidated entity consisted of:

- the development of the Balama Graphite Project in Mozambique;
- continued assessment of the use of high quality graphite from the Balama Graphite Project as an input into the production of spherical graphite and recarburiser products; and
- ongoing exploration and evaluation studies, including further technical investigations into the potential to extract and produce vanadium from the Balama Graphite Project ore body.

### **Review of operations**

#### *Statement of comprehensive income*

The loss for the consolidated entity after income tax amounted to \$6.9 million for the six-month period ended 30 June 2016 (six-month period to 31 December 2015: \$3.3 million loss). The loss for the period comprised mainly of corporate office, compliance and employee benefits expenses.

During the period, there was an increase in general business activities as the Company continued with the development of the Balama Graphite Project in Mozambique.

The loss for the period included a net foreign exchange gain of \$0.1 million (six-month period to 31 December 2015: \$6 million). The Company's United States Dollar (USD) cash reserves were transferred to a subsidiary with a USD functional currency in the prior period, resulting in the reduction in foreign exchange differences recognised in profit or loss during the half-year period as compared to the prior period.

Non-cash items of expenditure included share-based payment expenditures of \$2.0 million (six-month period to 31 December 2015: \$4.2 million) associated with the issuance of shares, options and performance rights to directors, executives and selected senior employees; and impairment charges of \$0.05 million on available-for-sale financial assets associated with a decline in the fair value of shares held in Strandline Resources Limited (six-month period to 31 December 2015: \$1.2 million, which included a once-off impairment of \$1.1 million on mobile equipment no longer expected to be used to the extent originally planned).

The consolidated entity also incurred a non-cash loss of \$10.2 million recognised in other comprehensive income during the six-month period ended 30 June 2016 (six-month period ended 31 December 2015: \$7.1 million loss) on translation of foreign subsidiaries, specifically Twigg Exploration and Mining Limitada where the Mozambique Metical (MZN) continued to depreciate against the Australian Dollar (AUD) from 32.84 as at 31 December 2015 to 45.00 as at 30 June 2016 (AUD:MZN as at 30 June 2015: 29.41).

#### *Statement of financial position*

The net assets of the consolidated entity increased during the six-month period ended 30 June 2016 to \$426.8 million (31 December 2015: \$253.2 million) principally as a result of the successful completion of a fully underwritten institutional placement of 32 million shares at \$6.05 per share which raised approximately \$188.0 million (net of issuance costs) in June 2016.

The consolidated entity's cash and cash equivalents were \$326.0 million as at 30 June 2016 (31 December 2015: \$191.6 million), of which \$291.6 million was held in USD (US\$216.5 million).

Working capital, being current assets less current liabilities, was \$313.7 million (31 December 2015: \$188.1 million).

The development of the Balama Graphite Project in Mozambique continued during the period, resulting in project expenditures of \$57.8 million (six-month period ended 31 December 2015: \$17.7 million). Key achievements and milestones for the Balama Project during the six-month period ended 30 June 2016 included:

- Achieved over 1 million hours worked without a Lost-Time injury
- Detailed engineering and design progressed on schedule
- Major procurement activities were completed and mechanical equipment and structural steel deliveries to site commenced
- Regular visits to key equipment and material suppliers were conducted to ensure that delivery dates and quality standards are maintained
- Completion of major bulk earthworks and sealing of the 7km access road. Work has now commenced on the construction of internal plant site roads
- Process plant and infrastructure concrete works advanced with approximately 3,400 cubic metres of concrete poured in all major areas (including ore bin, primary crushing facility, primary mill and flotation circuit)
- The SMP (Structural, Mechanical and Piping) and Mining Contractor, who have significant experience in Mozambique, were engaged
- Clearing for the Tailings Storage Facility was substantially completed
- Substantial ramp up of site personnel with approximately 830 direct staff and contractors working on site as at 30 June 2016. Ongoing recruitment of qualified Mozambican nationals to strengthen the team
- Notices of Award issued for major operational contracts (including transport and logistics, fuel supply and laboratory services)
- Expansion of the existing camp accommodation progressed in line with resourcing requirements

#### *Statement of cash flows*

##### *Cash flow from operating activities*

Net cash flows used in operating activities were \$4.4 million during the six-month period ended 30 June 2016 (six-month period to 31 December 2015: \$3.7 million) and principally consisted of corporate office, compliance and employee benefits expenses. Interest received during the period was \$0.8 million (six-month period to 31 December 2015: \$0.2 million) and increased as a result of an increase in the average balance of cash and cash equivalents during the period as compared to the comparative period.

*Cash flow from investing activities*

Net cash flows used in investing activities were \$48.6 million during the six-month period ended 30 June 2016 (six-month period to 31 December 2015: \$16.2 million) and principally consisted of development and construction works for the Balama Graphite Project.

*Cash flow from financing activities*

Net cash inflows from financing activities were \$188.7 million during the six-month period ended 30 June 2016 (six-month period to 31 December 2015: \$202.2 million) and principally consisted of proceeds received from the successful capital raising completed in June 2016.

**Significant Changes in State of Affairs**

There were no other significant changes in the nature of activities or state of affairs of the consolidated entity during the half-year period other than those included in the review of operations.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

**Rounding of amounts**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.



James Askew  
Chairman



Tolga Kumova  
Managing Director

Melbourne, Australia  
8 September 2016



## Auditor's Independence Declaration

As lead auditor for the review of Syrah Resources Limited for the half-year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Syrah Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'JO', is positioned above the printed name of the auditor.

John O'Donoghue  
Partner  
PricewaterhouseCoopers

Melbourne  
8 September 2016

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

	NOTES	6 MONTHS TO 30 JUNE 2016 \$'000	6 MONTHS TO 31 DECEMBER 2015 \$'000
Revenue from continuing operations	4	746	402
Other income	5	104	5,995
		<u>850</u>	<u>6,397</u>
<b>Expenses</b>			
Legal and consulting expenses	6	(1,771)	(1,234)
Administration expenses	6	(1,439)	(1,497)
Employee benefits expense	6	(4,242)	(5,443)
Depreciation and amortisation expense	6	(216)	(328)
Exploration and evaluation costs written off	6	(8)	(2)
Impairment of assets	6	(47)	(1,151)
		<u>(6,873)</u>	<u>(3,258)</u>
<b>Loss before income tax expense from continuing operations</b>		(6,873)	(3,258)
Income tax expense	7	-	-
		<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the period attributable to the owners of Syrah Resources Limited</b>		<u>(6,873)</u>	<u>(3,258)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to the profit or loss</i>			
Exchange differences on translation of foreign subsidiaries	16	(10,158)	(7,066)
		<u>(10,158)</u>	<u>(7,066)</u>
Other comprehensive income for the period, net of tax		(10,158)	(7,066)
		<u>(10,158)</u>	<u>(7,066)</u>
<b>Total comprehensive income for the period attributable to the owners of Syrah Resources Limited</b>		<u>(17,031)</u>	<u>(10,324)</u>
<b>Earnings per share for loss attributable to the owners of Syrah Resources Limited</b>			
		Cents	Cents
Basic earnings per share		(2.95)	(1.51)
Diluted earnings per share		(2.95)	(1.51)

*The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2016

	NOTES	30 JUNE 2016 \$'000	31 DECEMBER 2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	325,971	191,594
Trade and other receivables	9	5,324	4,598
Available-for-sale financial assets	10	116	163
<b>Total current assets</b>		<b>331,411</b>	<b>196,355</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	2,611	3,419
Mine properties and development	12	111,288	61,679
Intangibles		110	139
Exploration and evaluation		1,231	1,218
<b>Total non-current assets</b>		<b>115,240</b>	<b>66,455</b>
<b>Total assets</b>		<b>446,651</b>	<b>262,810</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	17,343	8,032
Provisions	14	383	182
<b>Total current liabilities</b>		<b>17,726</b>	<b>8,214</b>
<b>Non-current liabilities</b>			
Provisions	14	2,111	1,423
<b>Total non-current liabilities</b>		<b>2,111</b>	<b>1,423</b>
<b>Total liabilities</b>		<b>19,837</b>	<b>9,637</b>
<b>Net assets</b>		<b>426,814</b>	<b>253,173</b>
<b>Equity</b>			
Issued capital	15	474,452	284,430
Reserves	16	(7,672)	1,836
Accumulated losses		(39,966)	(33,093)
<b>Total equity</b>		<b>426,814</b>	<b>253,173</b>

*The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

	CONTRIBUTED EQUITY \$'000	ACCUMULATED LOSSES \$'000	RESERVES \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 January 2016</b>	<b>284,430</b>	<b>(33,093)</b>	<b>1,836</b>	<b>253,173</b>
Loss after income tax expense for the period	-	(6,873)	-	(6,873)
Other comprehensive income for the period, net of tax	-	-	(10,158)	(10,158)
Total comprehensive income for the period	-	(6,873)	(10,158)	(17,031)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	188,717	-	-	188,717
Share-based payments	-	-	1,955	1,955
Issuance of shares	1,000	-	(1,000)	-
Exercise of options	305	-	(305)	-
	190,022	-	650	190,672
<b>Balance at 30 June 2016</b>	<b>474,452</b>	<b>(39,966)</b>	<b>(7,672)</b>	<b>426,814</b>
<b>Balance at 1 July 2015</b>	<b>80,910</b>	<b>(29,835)</b>	<b>5,330</b>	<b>56,405</b>
Loss after income tax expense for the period	-	(3,258)	-	(3,258)
Other comprehensive income for the period, net of tax	-	-	(7,066)	(7,066)
Total comprehensive income for the period	-	(3,258)	(7,066)	(10,324)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	202,915	-	-	202,915
Share-based payments	-	-	4,177	4,177
Exercise of options	605	-	(605)	-
	203,520	-	3,572	207,092
<b>Balance at 31 December 2015</b>	<b>284,430</b>	<b>(33,093)</b>	<b>1,836</b>	<b>253,173</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

	NOTES	6 MONTHS TO 30 JUNE 2016 \$'000	6 MONTHS TO 31 DECEMBER 2015 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of goods and services tax)		(5,184)	(3,897)
Interest received		786	188
<b>Net cash inflow / (outflow) from operating activities</b>		<b>(4,398)</b>	<b>(3,709)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(51)	(95)
Payments for exploration and evaluation		(13)	(407)
Payments for mines properties and development		(48,583)	(15,992)
Loan recovered from/(provided to) other parties		-	300
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(48,647)</b>	<b>(16,194)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		194,350	210,963
Share issue transaction costs		(5,633)	(8,714)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>188,717</b>	<b>202,249</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>135,672</b>	<b>182,346</b>
Cash and cash equivalents at the beginning of the period		191,594	8,931
Effects of exchange rate changes on cash and cash equivalents		(1,295)	317
<b>Cash and cash equivalents at the end of the period</b>	8	<b>325,971</b>	<b>191,594</b>

*The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This consolidated interim financial report for the half-year reporting period ended 30 June 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2015 and any public announcements made by Syrah Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial period, except for the adoption of new and amended standards as set out below:

*(a) New and amended standards adopted by the group*

A number of new or amended standards, as detailed below, became applicable for the current reporting period. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

- *AASB2015 -1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 Cycle (effective from 1 January 2016)*

AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 Cycle merely clarifies existing requirements and therefore does not affect the Group's amendments to AAS101

- *AASB 2015 -2 - Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101 (effective from 1 January 2016)*

AASB 2015 -2 - Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101 merely clarifies existing requirements and therefore does not affect the Group's amendments to AASB101.

*(b) Impact of standards issued but not yet applied by the entity*

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Group's assessment of the impact of these new standards is set out in the annual report for the period ended 31 December 2015 and has not changed.

## **NOTE 2. FAIR VALUE MEASUREMENT**

In accordance with AASB 13, *Fair Value Measurement*, the Company has classified, according to the fair value hierarchy, the Group's available-for-sale financial assets as Level 1 assets. The available-for-sale financial assets comprises listed securities whose fair value is based on quoted prices as at 30 June 2016. There are no Level 2 or 3 assets or liabilities as at 30 June 2016.

The Group did not transfer any fair value amounts between the fair value hierarchies during the six-month period ended 30 June 2016.

Due to their short-term nature, the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

**NOTE 3. SEGMENT INFORMATION**

*(a) Description of segments*

Management has determined and presented operating segments based on the reports reviewed by the Executive Management Team, who are the Group's chief operating decision makers in terms of assessing performance and allocating resources. The Board of Directors reviews the performance of the Group on a similar basis.

The Group has one operating segment in Mozambique but primarily monitors performance according to the following two segments:

- Corporate - Investing activities and corporate management
- Mozambique - Mining, mineral exploration, evaluation and development activities associated with the Balama Project.

*(b) Operating activities provided to the Executive Management Team*

	<b>CORPORATE</b>	<b>MOZAMBIQUE</b>	<b>CONSOLIDATED</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>6 months to 30 June 2016</b>			
<b>Revenues</b>			
Interest income	746	-	746
Other income	(2,322)	2,426	104
<b>Total revenues</b>	<b>(1,576)</b>	<b>2,426</b>	<b>850</b>
Loss after income tax expense	(8,330)	1,457	(6,873)
<i>Included within segment results:</i>			
Legal and consulting expenses	(1,537)	(234)	(1,771)
Other administration expenses	(1,168)	(271)	(1,439)
Share-based payments expenses	(1,955)	-	(1,955)
Other employee benefits expenses	(1,985)	(302)	(2,287)
Depreciation and amortisation expenses	(52)	(164)	(216)
Exploration and evaluation costs written off	(8)	-	(8)
Impairment of assets	(47)	-	(47)
<b>AS AT 30 JUNE 2016</b>			
<b>Assets</b>			
Segment assets	404,235	42,416	446,651
<b>Total assets</b>	<b>404,235</b>	<b>42,416</b>	<b>446,651</b>
<b>Liabilities</b>			
Segment liabilities	(11,791)	(8,046)	(19,837)
<b>Total liabilities</b>	<b>(11,791)</b>	<b>(8,046)</b>	<b>(19,837)</b>

**NOTE 3. SEGMENT INFORMATION (continued)**

*(b) Operating activities provided to the Executive Management Team (continued)*

	CORPORATE \$'000	MOZAMBIQUE \$'000	CONSOLIDATED \$'000
<b>6 months to 31 December 2015</b>			
<b>Revenues</b>			
Interest income	402	-	402
Other income	5,914	81	5,995
<b>Total revenues</b>	<b>6,316</b>	<b>81</b>	<b>6,397</b>
Loss after income tax expense	(1,562)	(1,696)	(3,258)
<i>Included within segment results:</i>			
Legal and consulting expenses	(1,103)	(131)	(1,234)
Other administration expenses	(1,218)	(279)	(1,497)
Share-based payments expenses	(4,177)	-	(4,177)
Other employee benefits expenses	(1,249)	(17)	(1,266)
Depreciation and amortisation expenses	(54)	(274)	(328)
Exploration and evaluation costs written off	(2)	-	(2)
Impairment of assets	(70)	(1,081)	(1,151)
<b>AS AT 31 DECEMBER 2015</b>			
<b>Assets</b>			
Segment assets	236,790	26,020	262,810
<b>Total assets</b>	<b>236,790</b>	<b>26,020</b>	<b>262,810</b>
<b>Liabilities</b>			
Segment liabilities	(5,934)	(3,703)	(9,637)
<b>Total liabilities</b>	<b>(5,934)</b>	<b>(3,703)</b>	<b>(9,637)</b>

**NOTE 4. REVENUE**

	6 MONTHS TO 30 JUNE 2016 \$'000	6 MONTHS TO 31 DECEMBER 2015 \$'000
<b>From continuing operations</b>		
Interest income	746	402
	<b>746</b>	<b>402</b>

**NOTE 5. OTHER INCOME**

	6 MONTHS TO 30 JUNE 2016 \$'000	6 MONTHS TO 31 DECEMBER 2015 \$'000
Net foreign exchange gain	86	5,995
Other income	18	-
	104	5,995

**NOTE 6. EXPENSES**

Loss before income tax from continuing operations includes the following specific expenses:

	6 MONTHS TO 30 JUNE 2016 \$'000	6 MONTHS TO 31 DECEMBER 2015 \$'000
<i>Depreciation</i>		
Land and buildings	40	43
Computer equipment	38	12
Plant and equipment	110	236
Total depreciation	188	291
<i>Amortisation</i>		
Software	28	37
Total depreciation and amortisation	216	328
<i>Employee benefits expense</i>		
Salaries and wages	2,012	1,116
Share-based payments	1,955	4,177
Employee entitlements	179	71
Defined contribution superannuation expense	96	79
Total employee benefits expenses	4,242	5,443
<i>Legal and consulting expenses</i>		
Legal expenses	520	491
Consulting expenses	1,251	743
	1,771	1,234
<i>Administration expenses</i>		
Administration expenses	1,439	1,497
<i>Exploration expenditure written off</i>		
Exploration expenditure written off	8	2
<i>Impairment of assets</i>		
Impairment of assets	47	1,151

**NOTE 7. INCOME TAX EXPENSE**

	6 MONTHS TO 30 JUNE 2016 \$'000	6 MONTHS TO 31 DECEMBER 2015 \$'000
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Loss before income tax expense	(6,873)	(3,258)
Tax at the Australian tax rate of 30%	(2,062)	(977)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	587	1,253
- Other non-deductible expenses	656	88
- Movement in unrecognised temporary differences	(438)	(659)
- Under/(over) provision in the prior period	142	55
- Current period taxation losses not recognised as deferred tax assets	1,115	513
- Utilisation of previously unrecognised taxation losses	-	(273)
Income tax expense	-	-

**NOTE 8. CASH AND CASH EQUIVALENTS**

	30 JUNE 2016 \$'000	31 DECEMBER 2015 \$'000
Cash at bank and in hand	78,472	151,554
Deposits at call	247,499	40,040
	325,971	191,594

The currency breakdown of cash and cash equivalents balance at the reporting date, expressed in Australian dollars, was as follows:

	30 JUNE 2016 \$'000	31 DECEMBER 2015 \$'000
US Dollars	291,585	46,751
Australian Dollars	33,925	144,444
Mozambique Metical	461	399
	325,971	191,594

Total cash is held in trading accounts or term deposits with major financial institutions under normal terms and conditions appropriate to the operation of the accounts.

**NOTE 9. TRADE AND OTHER RECEIVABLES**

	30 JUNE 2016	31 DECEMBER 2015
	\$'000	\$'000
Other receivables	515	587
Prepayments	1,547	1,719
Input tax credit (net)	3,174	2,205
Security deposits <sup>(1)</sup>	88	87
	5,324	4,598

<sup>(1)</sup> Security deposits comprises of restricted deposits that are used for monetary backing for performance guarantees.

**NOTE 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	30 JUNE 2016	31 DECEMBER 2015
	\$'000	\$'000
Listed securities		
- Australian listed securities	116	163
	116	163

*Movements in available-for-sale financial assets are set out below:*

Balance at the beginning of period	163	33
Additions	-	200
Impairment expense	(47)	(70)
Balance at the end of period	116	163

**NOTE 11. PROPERTY, PLANT AND EQUIPMENT**

	LAND AND BUILDINGS \$'000	PLANT AND EQUIPMENT \$'000	COMPUTER EQUIPMENT \$'000	TOTAL \$'000
<b>At 31 December 2015</b>				
Cost	1,712	3,745	284	5,741
Accumulated depreciation	(60)	(2,226)	(36)	(2,322)
Net book amount	1,652	1,519	248	3,419
<b>6 months to 30 June 2016</b>				
Balance at beginning of period	1,652	1,519	248	3,419
Additions	-	44	7	51
Depreciation charge	(40)	(110)	(38)	(188)
Exchange differences	(438)	(201)	(32)	(671)
Balance at end of period	1,174	1,252	185	2,611
<b>At 30 June 2016</b>				
Cost	1,248	3,104	250	4,602
Accumulated depreciation and impairment	(74)	(1,852)	(65)	(1,991)
Net book amount	1,174	1,252	185	2,611
<b>At 1 July 2015</b>				
Cost	1,690	4,037	108	5,835
Accumulated depreciation	(21)	(862)	(51)	(934)
Net book amount	1,669	3,175	57	4,901
<b>6 months to 31 December 2015</b>				
Balance at beginning of period	1,669	3,175	57	4,901
Additions	208	-	215	423
Disposals (at net book value)	-	(9)	(3)	(12)
Depreciation charge	(43)	(388)	(12)	(443)
Impairment charge	-	(1,081)	-	(1,081)
Exchange differences	(182)	(178)	(9)	(369)
Balance at end of period	1,652	1,519	248	3,419
<b>At 31 December 2015</b>				
Cost	1,712	3,745	284	5,741
Accumulated depreciation and impairment	(60)	(2,226)	(36)	(2,322)
Net book amount	1,652	1,519	248	3,419



**NOTE 12. MINE PROPERTIES AND DEVELOPMENT**

	30 JUNE 2016	31 DECEMBER 2015
	\$'000	\$'000
Mine properties and development (at cost)	40,452	42,972
Mines under construction	70,836	18,707
Total mine properties and development	111,288	61,679

*Movements in mine properties and development are set out below:*

	MINE PROPERTIES AND DEVELOPMENT \$'000	MINES UNDER CONSTRUCTION \$'000	TOTAL \$'000
<b>6 months to 30 June 2016</b>			
Balance at beginning of period	42,972	18,707	61,679
Current period expenditure capitalised	-	57,776	57,776
Provision for decommissioning and restoration	-	1,322	1,322
Exchange differences	(2,520)	(6,969)	(9,489)
Balance at end of period	40,452	70,836	111,288
<b>6 months to 31 December 2015</b>			
Balance at beginning of period	41,918	-	41,918
Current period expenditure capitalised	2,139	17,688	19,827
Provision for decommissioning and restoration	-	1,411	1,411
Exchange differences	(1,085)	(392)	(1,477)
Balance at end of period	42,972	18,707	61,679

**NOTE 13. TRADE AND OTHER PAYABLES**

	30 JUNE 2016	31 DECEMBER 2015
	\$'000	\$'000
Trade payables and accruals	16,642	7,664
Other payables	701	368
	<u>17,343</u>	<u>8,032</u>

**NOTE 14. PROVISIONS**

	30 JUNE 2016	31 DECEMBER 2015
	\$'000	\$'000
<b>Current</b>		
Employee benefits	383	182
	<u>383</u>	<u>182</u>
<b>Non-current</b>		
Decommissioning and restoration	2,078	1,411
Employee benefits	33	12
	<u>2,111</u>	<u>1,423</u>

*Movements in decommissioning and restoration provision are set out below:*

	6 MONTHS TO 30 JUNE 2016	6 MONTHS TO 31 DECEMBER 2015
	\$'000	\$'000
Balance at beginning of period	1,411	-
Additional provision capitalised to mines under construction	1,322	1,411
Unwind of discount	9	-
Exchange differences	(664)	-
Balance at end of period	<u>2,078</u>	<u>1,411</u>

**NOTE 15. ISSUED CAPITAL**

	30 JUNE 2016 SHARES	31 DECEMBER 2015 SHARES	30 JUNE 2016 \$'000	31 DECEMBER 2015 \$'000
Issued and fully paid ordinary shares	263,757,392	231,267,154	474,452	284,430
	<u>263,757,392</u>	<u>231,267,154</u>	<u>474,452</u>	<u>284,430</u>

*Movements in ordinary share capital are set out below:*

	Date	NUMBER OF SHARES	ISSUE PRICE	\$'000
<b>6 months to 30 June 2016</b>				
Balance at beginning of period	1 January 2016	231,267,154		284,430
Share issue	19 February 2016	75,493	\$3.55	268
Exercise of options	24 May 2016	22,000	\$2.12	47
Share issue	23 June 2016	142,745	\$5.13	732
Exercise of options	23 June 2016	250,000	\$2.81	703
Share issue	23 June 2016	32,000,000	\$6.05	193,600
Transfers from share based payment reserve on conversion of options				305
Capital raising costs				(5,633)
<b>Balance at end of period</b>		<u><b>263,757,392</b></u>		<u><b>474,452</b></u>

**6 months to 31 December 2015**

Balance at beginning of period		165,223,076		80,910
Exercise of options	31 July 2015	375,000	\$0.22	83
Share issue	13 August 2015	50,726,039	\$3.25	164,860
Share issue	2 September 2015	14,137,746	\$3.25	45,948
Exercise of options	24 November 2015	125,000	-	-
Exercise of options	1 December 2015	125,000	\$0.17	21
Exercise of options	8 December 2015	300,001	\$0.17	51
Share issue	17 December 2015	255,292	\$2.61	666
Transfers from share based payment reserve on conversion of options				605
Capital raising costs				(8,714)
<b>Balance at end of period</b>		<u><b>231,267,154</b></u>		<u><b>284,430</b></u>

**NOTE 16. RESERVES**

	30 JUNE 2016	31 DECEMBER 2015
	\$'000	\$'000
Foreign currency reserve	(18,199)	(8,041)
Share-based payments reserve	10,527	9,877
	<u>(7,672)</u>	<u>1,836</u>

*Movements in each class of reserve are set out below:*

	FOREIGN CURRENCY RESERVE	SHARE- BASED PAYMENTS RESERVE	TOTAL
	\$'000	\$'000	\$'000
<b>6 months to 30 June 2016</b>			
Balance at beginning of period	(8,041)	9,877	1,836
Foreign currency translation	(10,158)	-	(10,158)
Share-based payments expense	-	1,955	1,955
Issuance of shares	-	(1,000)	(1,000)
Exercise of options	-	(305)	(305)
Balance at end of period	<u>(18,199)</u>	<u>10,527</u>	<u>(7,672)</u>
<b>6 months to 31 December 2015</b>			
Balance at beginning of period	(975)	6,305	5,330
Foreign currency translation	(7,066)	-	(7,066)
Share-based payments expense	-	4,177	4,177
Exercise of options	-	(605)	(605)
Balance at end of period	<u>(8,041)</u>	<u>9,877</u>	<u>1,836</u>

**NOTE 17. CAPITAL COMMITMENTS**

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	<b>30 JUNE 2016</b>	<b>31 DECEMBER 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Mine properties and development:		
- Mines under construction	80,636	44,657
Total capital commitments	<u>80,636</u>	<u>44,657</u>

The above capital expenditure commitments are in relation to the development of the Balama Graphite Project in Mozambique.

**NOTE 18. EVENTS OCCURRING AFTER REPORTING PERIOD**

No event has occurred subsequent to 30 June 2016 that has significantly affected, or may significantly affect, the Group's operations, the results of these operations, or the state of affairs in future financial periods.

## **DIRECTORS' DECLARATION**


In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 6 to 21 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year financial period ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



James Askew  
Chairman



Tolga Kumova  
Managing Director

Melbourne, Australia  
8 September 2016



## **Independent auditor's review report to the members of Syrah Resources Limited**

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Syrah Resources Limited (the company), which comprises the condensed consolidated statement of financial position as at 30 June 2016, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Syrah Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Syrah Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Syrah Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, likely belonging to John O'Donoghue.

John O'Donoghue  
Partner

Melbourne  
8 September 2016