Syrah Resources Limited
ABN 77 125 242 284

INTERIM REPORT
for the half-year ended 30 June 2017

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DIRECTORS' REPORT

The directors present their report on the Syrah Resources Limited Group ("Syrah", "the Group" or "the consolidated entity"), consisting of Syrah Resources Limited ("the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2017. This interim report is presented in United States Dollars (USD) unless otherwise stated.

Directors

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

James (Jim) Askew	Non-Executive Chairman (Executive Chairman from 5 October 2016 to 3 February 2017)
Shaun Verner	Managing Director (Appointed 3 February 2017)
Sam Riggall	Non-Executive Director
Christina Lampe-Onnerud	Non-Executive Director
Rhett Brans	Non-Executive Director
José Manuel Caldeira	Non-Executive Director

Principal activities

The principal continuing activities of the consolidated entity consisted of:

- the construction and development of the Balama Graphite Project in Mozambique;
- development of sales and marketing arrangements with targeted customers; and
- development of downstream, battery anode material strategy, including continuing assessment of the use of high quality graphite from the Balama Graphite Project as an input into the production of battery anode material and industrial products.

REVIEW OF OPERATIONS

Business update

Balama Graphite Project

- Strong project development progress with construction activities 90% complete as at 30 June 2017 and commissioning activities underway.
- Subsequent delays in construction completion in the Processing Plant have led to a delay in the commencement of production and an increase in the project construction budget from $200 million to $205 million.
- All key mining, infrastructure, services and laboratory equipment in place. Run of Mine (ROM) pad stocked for commissioning and water pipeline under construction.
- Production ramp-up expected to be 140,000 to 160,000 tonnes of flake graphite concentrate in the first year of production and 250,000 to 300,000 tonnes in the second year, subject to global market demands.

Battery Anode Material (BAM) Project

- Strong BAM project progress with key appointments made and Qualification Plant engineering, preparation for procurement of long lead items, and permitting advancing.
- Opportunity identified to achieve earlier revenue (H2 2018) and commercial volume (>10,000tpa) through first phase of the BAM Plant in Louisiana.

- New conditional Statement of Sales Intent (SSI) signed with a major anode producer for battery grade spherical graphite.
- Execution of product development and services agreement with Cadenza Innovation Inc. for advanced Battery Anode Materials.

Sales and Marketing

- Three key sales agreements confirmed with Hiller Carbon, Marubeni and MINERALS GmbH, providing the baseload of industrial market flake sales from Balama to North America, Asia and Europe.
- Memorandum of Understanding signed with BTR New Energy Materials, the world's largest battery anode manufacturer. On 8 September 2017, the Company announced it had signed a binding sales agreement with Jixi BTR Graphite Industrial Co. Ltd., a wholly owned subsidiary of BTR New Energy Materials for 30,000 tonnes of graphite from the Balama operation in the first year of production.
- Continuing development of relationships and negotiations with other participants in the industrial and battery anode material sectors.
- Great momentum in global Li-ion battery markets with electric vehicle forecasts significantly strengthened through increased commitment from traditional automakers.
- Comprehensive logistics contract (mine to port) signed with Grindrod and conditions precedent satisfied. Port arrangements largely in place and sea freight arrangements underway.

Finance and Corporate

- Strong balance sheet position with $100.8 million cash, and continuing engagement with potential financiers on a debt facility and other financing options.
- Financing options developed to provide flexibility in respect of working capital, general and administrative expenses, and potentially advance the Battery Anode Material strategy.

Sustainability

- Outstanding safety performance with Total Recordable Injury Frequency Rate (TRIFR) of 1.1 and over three million hours worked without a Lost Time Injury.
- No significant environmental issues.
- Labour, community development and training agreements completed – strong local employment and government support.
- The Mining Agreement was presented to the Council of Ministers in Mozambique and subsequently approved on 29 August 2017. The main legal terms of the Mining Agreement will now be gazetted and the Agreement signed by Syrah's wholly owned subsidiary (Twigg Exploration and Mining Limitada) and the Government of the Republic of Mozambique. It will then be presented to the Administrative Court in Mozambique for sanctioning after which it will be binding and enforceable. All arrangements required to operate and export are already in place.

Consolidated Results

Statement of comprehensive income

The loss for the consolidated entity after income tax amounted to $6.8 million during the interim financial period ended 30 June 2016 (2016: $5.0 million loss).

Revenue for the interim financial period comprised interest income of $0.7 million (2016: $0.5 million). The increase in interest income was driven by a higher average balance of funds on deposit during the interim period, compared to the comparative period, following the capital raising completed in June 2016. Other income of $1.2 million for the interim financial period (2016: $0.1 million) primarily consists of profit on the sale of previously written-off mobile mining equipment.

Total expenses for the interim financial period were $8.7 million (2016: $5.7 million), and included the following:

- Employee benefits expenses of $3.8 million (2016: $3.1 million), of which $1.3 million (2016: $1.4 million), were 'non-cash' share-based payment costs associated with issuance of shares, options and performance rights to directors, executives and selected senior employees;
- Legal and other consulting expenses of $1.8 million (2016: $1.3 million) associated with documentation of key commercial agreements and consulting services in relation to the progressive set up of corporate structures and consideration of financing options;
- Net foreign exchange loss of $1.3 million (2016: net gain of $0.1 million) being exchange rate differences on foreign currency transactions during the interim period; and
- Other expenses of $1.6 million (2016: $1.1 million) comprising general corporate administration costs.

The overall increase in costs for the interim financial period, compared to the comparative period, is a result of an increase in general business activities as the consolidated entity progressed the construction of the Balama Graphite Project in Mozambique towards completion, and the continued development of organisational structures and capabilities to support operational, marketing and supply chain functions for the commencement of operations.

The consolidated entity's comprehensive income for the interim financial period included a non-cash gain of $6.9 million (2016: $4.8 million loss) on translation of foreign subsidiaries, specifically translation of the holding company's financial statements from Australian dollars to United States dollars reporting currency, with the gain attributable to the strengthening of the Australian dollar during the period. The functional currency of Twigg Exploration and Mining Limitada changed to United States Dollars during the period on the basis that United States dollars is the currency that will predominantly influence the ongoing activities of the entity.

Total comprehensive income attributable to shareholders of Syrah Resources Limited for the interim financial period is $0.1 million (2016: $9.9 million loss).

Statement of financial position

The consolidated entity's cash and cash equivalents was $100.8 million as at 30 June 2017 (31 December 2016: $163.3 million) and working capital, being current assets less current liabilities, was $89.3 million (31 December 2016: $152.4 million). The reduction in cash and working capital is a result of the continuing investment in the Balama Graphite Project and the BAM Project.

Development and construction of the Balama Graphite project continued during the period, with the Mining assets balance increasing to $213.2 million at 30 June 2017 (31 December 2016: $155.3 million). Additional project development expenditure of $51.8 million was capitalised during the interim financial period (including provision for rehabilitation), with the remainder of the increase due to exchange rate movements.

Non-current Trade and other receivable increased during the interim period to $13.5 million at 30 June 2017 (31 December 2016: $5.8 million) with the increase mainly driven by Value Added Tax (input tax) credits paid on Balama Graphite Project construction costs. The Group views these input tax credits as recoverable and continues to work with relevant authorities in Mozambique to recover these amounts. The consolidated entity also placed a deposit of $1.4 million as security for an environmental guarantee of a similar amount issued in favour of the Mozambique Ministry of Mineral Resources and Energy.

The consolidated entity had total liabilities of $21.9 million as at 30 June 2017 (31 December 2016: $19.3 million), which included Trade and other payables of $14.4 million (31 December 2016: $14.5 million); and a Provision for decommissioning and rehabilitation for the Balama Graphite Project of $5.7 million (31 December 2016: $4.5 million).

Net assets of the consolidated entity increased during the interim financial period to $312.2 million at 30 June 2017 (31 December 2016: $310.7 million).

Statement of cash flows

Operating activities

Net cash flows used in operating activities were $5.1 million during the interim financial period ended 30 June 2017 (2016: $3.2 million) and principally consisted of corporate office, compliance and employee benefits expenses.

Interest received during the interim financial period was $0.5 million (2016: $0.6 million). The difference is due to timing of interest receipts on maturity of deposits.

Cash flow from investing activities

Net cash flows used in investing activities were $58.2 million during the interim financial period ended 30 June 2017 (2016: $35.7 million) and principally consisted of construction and commissioning costs of the Balama Graphite Project.

Cash flow from financing activities

There were no financing activities during the period.

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 6.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Directors' Report and the Condensed Consolidated Financial Statements. Amounts in the Directors' Report and the Condensed Consolidated Financial Statements have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

Shaun Verner
Managing Director

Melbourne, Australia
13 September 2017

Auditor's Independence Declaration

As lead auditor for the review of Syrah Resources Limited for the half-year ended 30 June 2017, 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.

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
13 September 2017

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SYRAH RESOURCES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2017

	NOTES	30 JUNE 2017 US$'000	30 JUNE 2016 US$'000
Revenue from continuing operations	3	709	547
Other income	4	1,217	76
		1,926	623
Expenses			
Employee benefits expense	5	(3,809)	(3,111)
Legal and consulting expenses	5	(1,849)	(1,300)
Depreciation and amortisation expense		(151)	(158)
Impairment of assets	5	-	(34)
Foreign exchange loss – net		(1,286)	-
Other expenses		(1,630)	(1,062)
Loss before income tax expense from continuing operations		(6,799)	(5,042)
Income tax expense	6	-	-
Loss after income tax expense for the period attributable to the owners of Syrah Resources Limited		(6,799)	(5,042)
Other comprehensive income			
Items that may be reclassified subsequently to the profit or loss			
Exchange differences on translation of foreign subsidiaries	9(b)	6,897	(4,817)
Other comprehensive income/(loss) for the period, net of tax		6,897	(4,817)
Total comprehensive income/(loss) for the period attributable to the owners of Syrah Resources Limited		98	(9,859)

	Cents	Cents
Loss per share for loss attributable to the owners of Syrah Resources Limited		
Basic loss per share	(2.58)	(2.17)
Diluted loss per share	(2.58)	(2.17)

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 2017

	NOTES	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Assets			
Current assets			
Cash and cash equivalents	7(a)	100,820	163,275
Trade and other receivables	7(b)	3,463	3,795
Available-for-sale financial assets		90	85
Total current assets		**104,373**	**167,155**
Non-current assets			
Trade and other receivables	7(b)	13,534	5,768
Property, plant and equipment		2,967	1,736
Mining assets	8(a)	213,217	155,312
Intangibles		51	61
Total non-current assets		**229,769**	**162,877**
Total assets		**334,142**	**330,032**
Liabilities			
Current liabilities			
Trade and other payables	7(c)	14,422	14,502
Finance leases	7(d)	276	-
Provisions	8(b)	424	250
Total current liabilities		**15,122**	**14,752**
Non-current liabilities			
Finance leases	7(d)	1,060	-
Provisions	8(b)	5,749	4,531
Total non-current liabilities		**6,809**	**4,531**
Total liabilities		**21,931**	**19,283**
Net assets		**312,211**	**310,749**
Equity			
Issued capital	9(a)	366,724	366,427
Reserves	9(b)	(3,897)	(11,861)
Accumulated losses		(50,616)	(43,817)
Total equity		**312,211**	**310,749**

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 HALF-YEAR ENDED 30 JUNE 2017

	CONTRIBUTED EQUITY US$'000	ACCUMULATED LOSSES US$'000	RESERVES US$'000	TOTAL EQUITY US$'000
Balance at 1 January 2017	**366,427**	**(43,817)**	**(11,861)**	**310,749**
Loss after income tax expense for the period	-	(6,799)	-	(6,799)
Other comprehensive income for the period, net of tax	-	-	6,897	6,897
Total comprehensive income for the period	-	(6,799)	6,897	98
Transactions with owners in their capacity as owners:				
Share-based payments	-	-	1,364	1,364
Issuance of shares	297	-	(297)	-
	297	-	1,067	1,364
Balance at 30 June 2017	**366,724**	**(50,616)**	**(3,897)**	**312,211**
Balance at 1 January 2016	**225,007**	**(29,326)**	**(10,714)**	**184,967**
Loss after income tax expense for the period	-	(5,042)	-	(5,042)
Other comprehensive income for the period, net of tax	-	-	(4,817)	(4,817)
Total comprehensive income for the period	-	(5,042)	(4,817)	(9,859)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	140,478	-	-	140,478
Share-based payments	-	-	1,364	1,364
Issuance of shares	719	-	(719)	-
Exercise of options	223	-	(223)	-
	141,420	-	422	141,842
Balance at 30 June 2016	**366,427**	**(34,368)**	**(15,109)**	**316,950**

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 HALF-YEAR ENDED 30 JUNE 2017

	NOTES	30 JUNE 2017 US$'000	30 JUNE 2016 US$'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(5,626)	(3,803)
Interest received		520	577
Net cash outflow from operating activities		**(5,106)**	**(3,226)**
Cash flows from investing activities			
Payments for mining assets		(56,721)	(35,654)
Payments for security deposits		(1,441)	-
Payments for property, plant and equipment		(12)	(37)
Net cash outflow from investing activities		**(58,174)**	**(35,691)**
Cash flows from financing activities			
Proceeds from issue of shares		-	145,390
Share issue transaction costs		-	(4,193)
Net cash inflow from financing activities		**-**	**141,197**
Net (decrease)/ increase in cash and cash equivalents		**(63,280)**	**102,280**
Cash and cash equivalents at the beginning of the period		163,275	139,978
Effects of exchange rate changes on cash and cash equivalents		825	(193)
Cash and cash equivalents at the end of the period	7(a)	**100,820**	**242,065**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements are the consolidated financial statements of the consolidated entity consisting of Syrah and its subsidiaries. The condensed consolidated financial statements are presented in United States Dollars.

Syrah is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Level 28, 360 Collins Street, Melbourne, Victoria 3000. Its shares are listed on the Australian Securities Exchange (ASX:SYR).

NOTE 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated interim financial report for the half-year reporting period ended 30 June 2017 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 year ended 31 December 2016 and any public announcements made by Syrah during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Significant accounting policies

The accounting policies, methods of computation and areas of critical accounting judgements, estimates and assumptions are the same as those adopted in the most recent Annual Financial Report for the year ended 31 December 2016 unless otherwise stated in this report.

No new or amended accounting standards and interpretations became applicable for the current reporting period which had an impact on the Group’s accounting policies.

Certain new accounting standards and interpretations have been published that are not mandatory for the interim reporting period. The Group’s assessment of the impact of these new standards is set out in the Annual Report for the year ended 31 December 2016 and has not changed.

(c) Change in reporting currency

The Company changed its reporting (presentation) currency from Australian dollars (AUD) to US dollars (USD) during the financial year ended 31 December 2016. The change in reporting currency represents a voluntary change in accounting policy which is accounted for retrospectively. Comparative information included in this condensed consolidated interim financial report, previously reported in AUD has been restated into USD using methodology disclosed in the Annual Report for the year ended 31 December 2016.

(d) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in the presentation in the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. 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 primarily monitors performance according to the following two segments:

Balama	Mining, mineral exploration, evaluation and development activities associated with the Balama Graphite Project in Mozambique.
Corporate	Corporate management and investing activities in Australia, which currently includes assessment and development of downstream opportunities for graphite.

(b) Segment information provided to the Executive Management Team

	Balama US$'000	Corporate US$'000	Consolidated US$'000
6 MONTHS TO 30 JUNE 2017			
Revenues			
Interest received / receivable	-	709	709
Other income	1,215	2	1,217
Total revenues	1,215	711	1,926
Loss after income tax expense	(451)	(6,348)	(6,799)
Included within segment results:			
Share-based payments expense	-	(1,314)	(1,314)
Other employee benefits expense	(355)	(2,140)	(2,495)
Legal and consulting expenses	(184)	(1,665)	(1,849)
Depreciation and amortisation expense	(80)	(71)	(151)
Foreign exchange gain/(loss) – net	(709)	(577)	(1,286)
Other expenses	(338)	(1,292)	(1,630)
AS AT 30 JUNE 2017			
Assets			
Segment assets	228,028	106,114	334,142
Total assets	228,028	106,114	334,142
Liabilities			
Segment liabilities	(19,058)	(2,873)	(21,931)
Total liabilities	(19,058)	(2,873)	(21,931)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SEGMENT INFORMATION (continued)

(b) Segment information provided to the Executive Management Team (continued)

	Balama US$'000	Corporate US$'000	Consolidated US$'000
6 MONTHS TO 30 JUNE 2016			
Revenues			
Interest	-	547	547
Other income	1,780	(1,704)	76
Total revenues	1,780	(1,157)	623
Results			
Profit/ (Loss) after income tax expense	1,067	(6,109)	(5,042)
Included within segment results:			
Share-based payments expense	-	(1,433)	(1,433)
Other employee benefits expense	(222)	(1,456)	(1,678)
Legal and consulting expenses	(172)	(1,128)	(1,300)
Depreciation and amortisation expense	(120)	(38)	(158)
Impairment of assets	-	(34)	(34)
Other expenses	(199)	(863)	(1,062)
AS AT 31 DECEMBER 2016			
Assets			
Segment assets	164,083	165,949	330,032
Total assets	164,083	165,949	330,032
Liabilities			
Segment liabilities	(18,222)	(1,061)	(19,283)
Total liabilities	(18,222)	(1,061)	(19,283)

NOTE 3. REVENUE

	30 JUNE 2017 US$'000	30 JUNE 2016 US$'000
Interest income	709	547
	709	547

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4. OTHER INCOME

	30 JUNE 2017 US$'000	30 JUNE 2016 US$'000
Net foreign exchange gain	-	63
Gain on disposal of property, plant and equipment	1,162	-
Other sundry income	55	13
	1,217	76

NOTE 5. EXPENSES

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

	30 JUNE 2017 US$'000	30 JUNE 2016 US$'000
Legal and consulting expenses		
Legal expenses	522	382
Consulting expenses	1,327	918
Total legal and consulting expenses	1,849	1,300
Employee benefits expense		
Salaries and wages	2,221	1,477
Share-based payments	1,314	1,434
Employee entitlements	125	130
Defined contribution superannuation expense	149	70
Total employee benefits expenses	3,809	3,111
Impairment of assets		
Available-for-sale financial assets	-	34
Total impairment charges	-	34

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. INCOME TAX EXPENSE

	30 JUNE 2017 US$'000	30 JUNE 2016 US$'000
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense from continuing operations	(6,799)	(5,042)
Tax at the Australian tax rate of 30%	(2,040)	(1,513)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	394	431
- Other non-deductible expenses	215	481
- Movement in unrecognised temporary differences	(278)	(321)
- (Over)/under provision in the prior period	(308)	104
- Current period taxation losses not recognised as deferred tax assets	2,017	818
Income tax expense	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Cash at bank and in hand	6,590	13,803
Term deposits	94,230	149,472
	100,820	163,275

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. These deposits earn interest at rates set by these institutions. As at 30 June 2017 the weighted average interest rate on current accounts and term deposits was 1.23% (31 December 2016: 0.98%).

Liquidity risk
The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company anticipates requiring additional financing, in addition to current cash reserves to meet its working capital requirements, general and administrative expenditure and studies relating to the Battery Anode Material project. The Company is progressing a number of alternatives to raise additional funding.

(b) Trade and other receivables

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Current		
Other receivables	1,204	381
Prepayments	2,202	3,223
Security deposits (1)	-	97
Input tax credits	57	94
Total current trade and other receivables	3,463	3,795
Non-current		
Input tax credits	11,483	5,768
Security deposits (1)	1,546	-
Other receivables	505	-
Total non-current trade and other receivables	13,534	5,768

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(c) Trade and other payables

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Current		
Trade payables and accruals	11,244	12,312
Other payables	3,178	2,190
	14,422	14,502

(d) Finance leases

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Current		
Finance leases	276	-
	276	-
Non-current		
Finance leases	1,060	-
	1,060	-

Finance leases relate to equipment that is included in Property, Plant and Equipment. The finance lease liability is secured against this equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. NON-FINANCIAL ASSETS AND NON-FINANCIAL LIABILITIES

(a) Mining assets

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Exploration and evaluation	949	890
Mine properties and development	33,054	31,094
Mines under construction	179,214	123,328
Total mining assets	213,217	155,312

Movements in mining assets during the interim period are set out below:

	Exploration and evaluation US$'000	Mine properties and development US$'000	Mines under construction US$'000	Total US$'000
6 months to 30 June 2017				
Balance at beginning of period	890	31,094	123,328	155,312
Current period expenditure capitalised	-	-	50,613	50,613
Provision for decommissioning and restoration	-	-	1,200	1,200
Exchange differences	59	1,960	4,073	6,092
Balance at end of period	949	33,054	179,214	213,217

Exploration and evaluation

The balance of exploration and evaluation relates to the Vanadium project at Balama and continues to be carried forward in accordance with the exploration and evaluation accounting policy. The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value.

Mine properties and development and Mines under construction

Mine properties and development and Mines under construction mainly relate to the development of the Balama Graphite Project in Mozambique.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. NON-FINANCIAL ASSETS AND NON-FINANCIAL LIABILITIES (CONTINUED)

(b) Provisions

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Current		
Employee benefits	424	250
	424	250
Non-current		
Decommissioning and restoration	5,723	4,504
Employee benefits	26	27
	5,749	4,531

Movements in Decommissioning and restoration provision

	6 MONTHS TO 30 JUNE 2017 US$'000
Balance at beginning of period	4,504
Additional provisions:	
- Capitalised to mines properties and development	1,200
- Unwind of discount	19
Balance at end of period	5,723

NOTE 9. EQUITY

(a) Issued Capital

	30 JUNE 2017 Shares	31 DECEMBER 2016 Shares	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Issued and fully paid ordinary shares	263,880,990	263,757,392	366,724	366,427
	263,880,990	263,757,392	366,724	366,427

Movements in ordinary share capital during the interim period are set out below:

	Number of Shares	Weighted Average Issue Price (A$)	US$'000
6 months to 30 June 2017			
Balance at beginning of period	263,757,392		366,427
Issue of new shares:			
- Equity-settled remuneration	123,598	A$ 3.18	297
Balance at end of period	**263,880,990**		**366,724**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9. EQUITY (CONTINUED)

(b) Reserves

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Foreign currency translation reserve	(15,608)	(22,505)
Share-based payments reserve	11,711	10,644
	(3,897)	(11,861)

(i) Movements in reserves

Movements in each class of reserve are set out below:

	Foreign currency reserve US$'000	Share-based payments reserve US$'000	Total US$'000
6 months to 30 June 2017			
Balance at beginning of period	(22,505)	10,644	(11,861)
Foreign currency translation	6,897	-	6,897
Share-based payments	-	1,364	1,364
Issuance of shares	-	(297)	(297)
Balance at end of period	(15,608)	11,711	(3,897)

(ii) Change in functional currency of a subsidiary

The Group regularly assess the functional currency of each entity in the consolidated group. With effect from 1 January 2017, the functional currency of Twigg Exploration and Mining Limitada was changed from Mozambique Meticals (MZN) to the United States Dollar (USD) on the basis that the USD currency will predominately influence the ongoing revenues, expenditures and financing activities of this entity.

NOTE 10. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) Capital expenditure commitments

Capital expenditures contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Mining assets		
- Mines under construction	13,118	30,506
Total capital commitments	13,118	30,506

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 10. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

(b) Operating lease expenditure commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Within one year	317	469
After one year but not more than five years	599	659
Minimum lease payments	916	1,128

(c) Tenement expenditure commitments

The Group has to meet the conditions under which mining and exploration tenements were granted to maintain the right of tenure. The minimum expenditure requirements, including interests in joint venture arrangements, for current tenements held is as follows:

	30 JUNE 2017 US$'000	31 DECEMBER 2016 US$'000
Within one year	138	20
After one year but not more than five years	-	90
	138	110

(d) Contingencies

The Group did not have any contingent assets or liabilities at the end of the current and previous financial periods.

NOTE 11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No event has occurred subsequent to 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those 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 7 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 2017 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.

Shaun Verner
Managing Director

Melbourne, Australia
13 September 2017

Independent auditor's review report to the shareholders 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 2017, 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 the Syrah Resources Limited Group (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 2017 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*.

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:

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
13 September 2017