SYRAH RESOURCES

Syrah Resources Limited
ABN 77 125 242 284

INTERIM REPORT
for the half-year ended 30 June 2018

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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 2018. 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 Askew	Non-Executive Chairman
Shaun Verner	Managing Director
Sam Riggall	Non-Executive Director
José Manuel Caldeira	Non-Executive Director
Christina Lampe-Onnerud	Non-Executive Director
Stefano Giorgini	Non-Executive Director
Lisa Bahash	Non-Executive Director (appointed 16 July 2018)

Principal activities

The principal continuing activities of the consolidated entity consisted of:

- the mining, processing and sale of graphite from the Balama Graphite Operation in Mozambique;
- the development and execution of a downstream, battery anode material strategy, including continuing assessment of the use of high quality graphite from the Balama Graphite Operation as an input into the production of battery anode material and industrial products; and
- the ongoing exploration and evaluation of mineral resources including the production of vanadium as a by-product from the graphite production processes at the Balama Graphite Operation.

REVIEW OF OPERATIONS

Statement of comprehensive income

The loss for the consolidated entity after income tax amounted to $8.3 million during the interim financial period ended 30 June 2018 (2017: $6.8 million loss).

The Balama Graphite Project transitioned to operations on 1 January 2018 following the achievement of first production of coarse and fine flake graphite in late 2017. As at 30 June 2018, the operation remains in the production ramp-up phase and has not achieved commercial production (in accordance with the criteria disclosed in the 31 December 2017 Annual Report). All revenues derived from the sale of graphite during the interim period and prior to the declaration of commercial production are offset against costs incurred and capitalised against project development costs.

Revenue reported for the interim financial period comprised interest income of $0.6 million (2017: $0.7 million) earned on money market term deposits.

Other income for the interim financial period is comprised of insurance proceeds received. In the comparative period, other income of $1.2 million primarily consisted of a non-recurring profit on the sale of previously written-off mobile mining equipment.

Total expenses for the interim financial period were $8.8 million (2017: $8.7 million) and included the following:

- Employee benefits expenses of $5.9 million (2017: $3.8 million), of which $2.6 million (2017: $1.3 million), were non-cash share-based payment costs associated with issuance of shares, options and performance rights to directors, executives and senior employees;
- Legal and other consulting expenses of $0.9 million (2017: $1.8 million) incurred in relation to the continued development of organisational structures and capabilities to support operational and business development functions
- Depreciation and amortisation of corporate and administration assets of $0.1 million (2017: $0.2 million);
- Net foreign exchange loss of $0.2 million (2017: $1.3 million) being exchange rate differences on foreign currency denominated transactions and balances during the interim financial period; and
- Other expenses of $1.7 million (2017: $1.6 million) comprising general corporate and administration costs.

The total comprehensive loss attributable to shareholders of Syrah Resources Limited for the interim financial period was $9.0 million (2017: $0.1 million profit) and included a non-cash loss of $0.7 million (2016: $6.9 million gain) on the translation of the holding company's financial statements from Australian dollars (AUD) to a United States dollars (USD) presentation currency due to the weakening of the AUD against the USD during the interim financial period.

Statement of financial position

Total assets of the consolidated entity as at 30 June 2018 were $413.7 million (31 December 2017: $418.5 million).

The consolidated entity's cash and cash equivalents as at 30 June 2018 were $56.7 million (31 December 2017: $111.9 million) and working capital, being current assets less current liabilities, was $48.5 million (31 December 2017: $101.0 million). The net reduction in cash and cash equivalents and working capital is a result of the continuing investment in production ramp-up of the Balama Graphite Operation and the ongoing development of the group's downstream battery anode material strategy.

Trade and other receivables increased during the interim financial period to $8.1 million as at 30 June 2018 (31 December 2017: $4.1 million) due to recognition of trade receivables from the sale of graphite and an increase in prepayments to support ongoing operations at the Balama Graphite Operation.

Mining assets increased during the interim financial period to $309.9 million as at 30 June 2018 (31 December 2017: $273.5 million) due to:

- the completion of project development, construction and commissioning of the Balama Graphite Operation; and
- the capitalisation of all production ramp-up costs, net of revenues derived from the sale of graphite, of the Balama Graphite Operation during the interim financial period and prior to the declaration of commercial production.

During the interim financial period, the Balama Graphite Operation produced 32k tonnes of graphite of which 16k tonnes was sold and shipped and 7k tonnes was awaiting shipment at the Port of Nacala in Mozambique as at 30 June 2018.

Property, plant and equipment as at 30 June 2018 was $16.7 million (31 December 2017: $9.0 million), with the majority of the balance relating to the capitalisation of costs associated with progression of downstream battery anode material (BAM) strategies. During the interim financial period $8.1 million was spent on BAM strategies which included site selection activities, procurement of long lead equipment items, finalisation of engineering design and drawings and ongoing product research and development activities. Subsequent to 30 June 2018, the Company finalised the purchase of a 25-acre BAM plant site with an existing 50,000 square foot industrial building for a purchase price of $1.2 million in Vidalia, Louisiana.

Non-current trade and other receivables increased during the interim financial period to $22.0 million as at 30 June 2018 (31 December 2017: $19.6 million) with the balance principally comprising input tax credits (Value Added Tax) credits paid in Mozambique. An amount of $0.1m relating to earlier pre-construction claim was recovered during the interim period. The Group believes the input tax credits carried on the balance sheet are recoverable and continues to engage with relevant authorities in Mozambique to progress the recovery process. The consolidated entity has also placed in favour of the Ministry of Mineral Resources and Energy (MIREME) in Mozambique a security deposit for $2.7 million as a performance guarantee in relation to the rehabilitation or removal of project infrastructure as per the mine closure plans for the Balama Graphite Operation.

The consolidated entity had total liabilities of $27.6 million as 30 June 2018 (31 December 2017: $25.8 million), which included trade and other payables of $15.3 million (31 December 2017: $13.9 million); a provision for decommissioning and rehabilitation for the Balama Graphite Operation of $8.7 million (31 December 2017: $8.3 million); and a lease liability of $1.2 million (31 December 2017: $1.3 million).

Net assets of the consolidated entity as at 30 June 2018 were $386.1 million (31 December 2017: $392.6 million), with the reduction attributable to net comprehensive loss for the period of $9.0 million, offset by a net increase of $2.5 million in equity and reserves from share-based payment arrangements during the interim financial period.

Statement of cash flows

Cash flow from operating activities

Net cash outflow from operating activities during the interim financial period ended 30 June 2018 was $6.4 million (2017: $5.1 million) and principally consisted of corporate office, compliance and employee benefits expenses net of interest income of $0.7 million (2017: $0.5 million) received during the period.

Cash flow from investing activities

Net cash outflow from investing activities during the interim financial period ended 30 June 2018 was $48.2 million (2017: $58.2 million) and principally consisted of payments for construction, commissioning and production ramp up of the Balama Graphite Operation, net of cash receipts from sale of graphite, as well as progression of downstream BAM activities.

Cash flow from financing activities

Net cash outflow from financing activities during the interim financial period ended 30 June 2018 related to the payment of a finance lease liability of $0.1 million (2017: NIL).

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.

Matters subsequent to the end of the interim financial period

On 16 August 2018, the Company announced the purchase completion of its BAM plant site in Vidalia, Louisiana. The total purchase price for the plant site was $1.225 million for a 25 acre site with an existing 50,000 square foot industrial building.

On 4 September 2018, the Company announced a fully underwritten A$94 million (US$68 million) capital raising to complete the ramp-up of the Balama Graphite Operation through to positive cash flow, progress Syrah's BAM strategy to the end of 2019, fund the evaluation of the Vanadium Resource at Balama, fund corporate, general and administrative costs and provide balance sheet strength. Under the terms of the Offer, institutional investors will subscribe for 42.2 million new shares in the Company at A$2.23 per share to raise approximately A$94 million (US$68 million) before costs. Following completion of the Institutional Placement, the Company will also offer eligible shareholders in Australia and New Zealand the right to participate in a Share Purchase Plan (SPP). The SPP price will be A$2.23 per share which is equal to the

Offer Price of the Institutional Placement. The SPP will aim to raise approximately A$14 million (US$10 million) and is not underwritten.

No other event has occurred subsequent to 30 June 2018 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.

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
4 September 2018

Auditor's Independence Declaration

As lead auditor for the review of Syrah Resources Limited for the half-year ended 30 June 2018, 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
4 September 2018

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2018

	NOTES	30 JUNE 2018 US$'000	30 JUNE 2017 US$'000
Revenue from continuing operations	3	571	709
Other income	4	23	1,217
		594	1,926
Expenses			
Employee benefits expense	5	(5,876)	(3,809)
Legal and consulting expenses	5	(904)	(1,849)
Depreciation and amortisation expense	8(b)	(119)	(151)
Foreign exchange loss – net		(196)	(1,286)
Other expenses		(1,731)	(1,630)
Loss before income tax expense from continuing operations		(8,232)	(6,799)
Income tax expense	6	(105)	-
Loss after income tax expense for the period attributable to the owners of Syrah Resources Limited		(8,337)	(6,799)
Other comprehensive income			
Items that may be reclassified subsequently to the profit or loss			
Exchange differences on translation of foreign subsidiaries	9(b)	(690)	6,897
Other comprehensive (loss)/income for the period, net of tax		(690)	6,897
Total comprehensive (loss)/income for the period attributable to the owners of Syrah Resources Limited		(9,027)	98
Loss per share for loss attributable to the owners of Syrah Resources Limited		**Cents**	**Cents**
Basic loss per share		(2.80)	(2.58)
Diluted loss per share		(2.80)	(2.58)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	NOTES	30 JUNE 2018 US$'000	31 DECEMBER 2017 US$'000
Assets			
Current assets			
Cash and cash equivalents	7(a)	56,698	111,912
Trade and other receivables	7(b)	8,138	4,057
Available-for-sale financial assets		86	91
Total current assets		**64,922**	**116,060**
Non-current assets			
Trade and other receivables	7(b)	21,811	19,600
Mining assets	8(a)	309,945	273,540
Property, plant and equipment	8(b)	16,728	9,013
Intangibles		258	250
Total non-current assets		**348,742**	**302,403**
Total assets		**413,664**	**418,463**
Liabilities			
Current liabilities			
Trade and other payables	7(c)	15,313	13,923
Finance leases	7(d)	276	276
Provisions	8(c)	840	895
Total current liabilities		**16,429**	**15,094**
Non-current liabilities			
Finance leases	7(d)	908	1,000
Provisions	8(c)	8,724	8,318
Deferred tax liability		1,511	1,415
Total non-current liabilities		**11,143**	**10,733**
Total liabilities		**27,572**	**25,827**
Net assets		**386,092**	**392,636**
Equity			
Issued capital	9(a)	453,856	452,601
Reserves	9(b)	(10,596)	(9,642)
Accumulated losses		(57,168)	(50,323)
Total equity		**386,092**	**392,636**

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 2018

	CONTRIBUTED EQUITY US$'000	ACCUMULATED LOSSES US$'000	RESERVES US$'000	TOTAL EQUITY US$'000
Balance at 1 January 2018	**452,601**	**(50,323)**	**(9,642)**	**392,636**
Loss after income tax expense for the period	-	(8,337)	-	(8,337)
Other comprehensive income for the period, net of tax	-	-	(690)	(690)
Total comprehensive income for the period	-	(8,337)	(690)	(9,027)
Transactions with owners in their capacity as owners:				
Share-based payments	-	-	2,483	2,483
Transfers from share-based payment reserve				
- Issuance of shares	1,255	-	(1,255)	-
- Expired/ lapsed options	-	1,492	(1,492)	-
	1,255	1,492	(264)	2,483
Balance at 30 June 2018	**453,856**	**(57,168)**	**(10,596)**	**386,092**
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
Transfers from share-based payment reserve				
- Issuance of shares	297	-	(297)	-
	297	-	1,067	1,364
Balance at 30 June 2017	**366,724**	**(50,616)**	**(3,897)**	**312,211**

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 2018

	NOTES	30 JUNE 2018 US$'000	30 JUNE 2017 US$'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(7,097)	(5,626)
Interest received		652	520
Net cash outflow from operating activities		**(6,445)**	**(5,106)**
Cash flows from investing activities			
Payments for mining assets		(39,828)	(56,721)
Payments for security deposits		-	(1,441)
Payments for property, plant and equipment		(8,348)	(12)
Payments for intangibles		(8)	-
Net cash outflow from investing activities		**(48,184)**	**(58,174)**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Share issue transaction costs		-	-
Payment of finance lease liability		(138)	-
Net cash inflow from financing activities		**(138)**	**-**
Net (decrease)/ increase in cash and cash equivalents		**(54,767)**	**(63,280)**
Cash and cash equivalents at the beginning of the period		111,912	163,275
Effects of exchange rate changes on cash and cash equivalents		(447)	825
Cash and cash equivalents at the end of the period	7(a)	**56,698**	**100,820**

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 Resources Limited and its subsidiaries. The condensed consolidated financial statements are presented in United States Dollars.

Syrah Resources Limited 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 2018 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 2017 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 2017 unless otherwise stated in this report.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* became effective for the first time during the interim financial period:

- AASB 15 replaced AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts (and related interpretations). Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company did not earn revenue from customers in the prior period; consequently, there is no impact on the results presented in prior periods. During the current period, the Balama Operation remained in the production ramp up phase and has not achieved commercial production. Revenues derived from the sale of graphite during the current period are offset against costs incurred and capitalised against project development costs (refer Note 8).

- AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities as well as impairment and hedge accounting. The group adopted the new accounting standard during the period and there is no transition impact on adoption.

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 2017 and has not changed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Comparative figures

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

(d) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial statements, are the same as those adopted in the most recent Annual Financial Report for the year ended 31 December 2017 unless otherwise stated in this report.

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, processing and sale of graphite from the Balama Operation in Mozambique and the ongoing exploration and evaluation of mineral resources, including the potential production of vanadium as a by-product from the graphite production processes at the Balama Operation.
Corporate	corporate management and investing activities, which currently include the ongoing assessment and development of a downstream battery anode material strategy and associated project.

(b) Segment information provided to the Executive Management Team

	Balama US$'000	Corporate US$'000	Consolidated US$'000
6 MONTHS TO 30 JUNE 2018			
Revenues			
Interest income	-	571	571
Other income	23	-	23
Total revenues	23	571	594
Loss before income tax expense	(2,167)	(6,065)	(8,232)
Included within segment results:			
Share-based payments expense	-	(2,589)	(2,589)
Other employee benefits expense	(1,006)	(2,281)	(3,287)
Legal and consulting expenses	(338)	(566)	(904)
Depreciation and amortisation expense	(75)	(44)	(119)
Foreign exchange gain/(loss) – net	(200)	4	(196)
Other expenses	(571)	(1,160)	(1,731)
Additions to non-current non-financial assets	36,823	8,093	44,916
AS AT 30 JUNE 2018			
Assets			
Segment assets	338,370	75,294	413,664
Total assets	338,370	75,294	413,664
Liabilities			
Segment liabilities	(25,646)	(1,926)	(27,572)
Total liabilities	(25,646)	(1,926)	(27,572)

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 2017			
Revenues			
Interest income	-	709	709
Other income	1,215	2	1,217
Total revenues	1,215	711	1,926
Loss before 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)
Additions to non-current non-financial assets	57,846	1,230	59,076
AS AT 31 DECEMBER 2017			
Assets			
Segment assets	299,772	118,891	418,463
Total assets	299,572	118,891	418,463
Liabilities			
Segment liabilities	(22,872)	(2,955)	(25,827)
Total liabilities	(22,872)	(2,955)	(25,827)

NOTE 3. REVENUE

	30 JUNE 2018 US$'000	30 JUNE 2017 US$'000
Interest income	571	709
	571	709

As at 30 June 2018, the Balama Project remains in the production ramp-up phase and has not achieved commercial production. All revenues derived from the sale of graphite prior to the declaration of commercial production are offset against costs incurred and capitalised against project development costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4. OTHER INCOME

	30 JUNE 2018 US$'000	30 JUNE 2017 US$'000
Gain on disposal of property, plant and equipment	-	1,162
Other sundry income	23	55
	23	1,217

NOTE 5. EXPENSES

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

	30 JUNE 2018 US$'000	30 JUNE 2017 US$'000
Employee benefits expense		
Salaries and wages	2,909	2,221
Share-based payments	2,589	1,314
Employee entitlements	217	125
Defined contribution superannuation expense	161	149
Total employee benefits expenses	5,876	3,809
Legal and consulting expenses		
Legal expenses	200	522
Consulting expenses	704	1,327
Total legal and consulting expenses	904	1,849

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. INCOME TAX EXPENSE

	30 JUNE 2018 US$'000	30 JUNE 2017 US$'000
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense from continuing operations	(8,232)	(6,799)
Tax at the Australian tax rate of 30%	(2,470)	(2,040)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	777	394
- Other non-deductible expenses	100	215
- Differences in overseas tax rate	(291)	-
- Movement in unrecognised temporary differences	(502)	(278)
- (Over)/under provision in the prior period	-	(308)
- Current period taxation losses not recognised as deferred tax assets	2,491	2,017
Income tax expense	105	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

	30 JUNE 2018 US$'000	31 DECEMBER 2017 US$'000
Cash at bank and in hand	7,896	15,721
Money market deposits	48,802	96,191
	56,698	111,912

Total cash and cash equivalents are 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 2018 the weighted average interest rate on current accounts and term deposits was 1.46% (31 December 2017: 1.21%).

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 and seeks additional funding when required. On 4 September 2018, the Company announced a fully underwritten A$94 million (US$68 million) capital raising to complete the ramp-up of the Balama Graphite Operation through to positive cash flow, progress Syrah's BAM strategy to the end of 2019, fund the evaluation of the Vanadium Resource at Balama, fund corporate, general and administrative costs and provide balance sheet strength. Further information regarding this capital raising is provided in Note 11.

(b) Trade and other receivables

	30 JUNE 2018 US$'000	31 DECEMBER 2017 US$'000
Current		
Trade receivables	2,544	-
Prepayments	4,411	2,874
Input tax credits	21	152
Other receivables	1,162	1,031
Total current trade and other receivables	8,138	4,057
Non-current		
Input tax credits	18,785	16,374
Security deposits [(1)]	2,858	2,889
Other receivables	168	337
Total non-current trade and other receivables	21,811	19,600

(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 2018 US$'000	31 DECEMBER 2017 US$'000
Current		
Trade payables and accruals	14,113	12,441
Other payables	1,200	1,482
	15,313	13,923

(d) Finance leases

	30 JUNE 2018 US$'000	31 DECEMBER 2017 US$'000
Current		
Finance leases	276	276
	276	276
Non-current		
Finance leases	908	1,000
	908	1,000

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 2018 US$'000	31 DECEMBER 2017 US$'000
Exploration and evaluation	1,006	988
Mine properties and development	33,297	33,297
Mines under construction	275,642	239,255
Total mining assets	309,945	273,540

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 2018				
Balance at beginning of period	988	33,297	239,255	273,540
Current period expenditure capitalised	18	-	36,433	36,451
Provision for decommissioning and restoration	-	-	372	372
Exchange differences	-	-	(418)	(418)
Balance at end of period	1,006	33,297	275,642	309,945

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)

(a) Mining assets (continued)

Declaration of commercial production

Balama achieved first production of saleable Flake graphite in November 2017 and saleable Fines graphite in December 2017. During the interim financial period, the operation remained in the production ramp-up phase and has not achieved commercial production. All production ramp-up costs, net of any revenue derived from the sale of graphite prior to the declaration of commercial production, are capitalised against project development costs.

Once commercial production is declared, the capitalisation of operating costs, net of any revenue derived, will cease and revenues will be recognised as income in the period in which they are earned and operating costs will either be attributed to inventory or expensed in the period in which they are incurred. It is also at this point that the depreciation and amortisation of previously capitalised project development costs will commence. Costs that meet the criteria for recognition as assets will continue to be capitalised in accordance with group accounting policies.

The Group will continue to assess the progress of production ramp-up and optimisation activities to determine when the operation moves into the commercial production stage. The major criteria to be considered in terms of declaring commercial production include, but may not be limited to, the following:

1. All major capital expenditures to allow the mine to operate at up to name-plate capacity have been completed.
2. The process plant, and other key areas of infrastructure have been transferred to the control of the Operations team from the Commissioning team.
3. The plant is capable of continuously operating at or near planned throughput levels.
4. Ore head grades and process plant recoveries are consistently at or near expected levels for a continuous period.
5. Production consistently achieves grades and quality specifications at expected levels for a continuous period and has satisfied commercial scale verification tests by key customers and end-users.
6. Operating costs are under control and within expectations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(b) Property, Plant and Equipment

	LAND AND BUILDINGS US$'000	PLANT AND EQUIPMENT US$'000	COMPUTER EQUIPMENT US$'000	ASSETS UNDER CONSTRUCTION US$'000	TOTAL US$'000
At 1 January 2018					
Cost	797	3,056	214	6,553	10,620
Accumulated depreciation and impairment	(112)	(1,374)	(121)	-	(1,607)
Net book amount	685	1,682	93	6,553	9,013
For the half year ended 30 June 2018					
Balance at beginning of period	685	1,682	93	6,553	9,013
Additions	-	-	3	8,090	8,093
Depreciation charge	(23)	(182)	(22)	-	(227)
Exchange differences	-	(55)	(3)	(93)	(151)
Balance at end of period	662	1,445	71	14,550	16,728
At 30 June 2018					
Cost	797	3,044	210	14,550	18,601
Accumulated depreciation and impairment	(135)	(1,599)	(139)	-	(1,873)
Net book amount	662	1,445	71	14,550	16,728

Assets under construction

Assets Under Construction at 30 June 2018 consists of capitalised project development costs for the downstream Battery Anode Material (BAM) project. Capitalised costs in relation to construction of the Balama Graphite Project are included in mines under construction (Refer to Note 8(a)).

Depreciation charge

Of the total depreciation charge for the interim financial period ended 30 June 2018, $0.1 million was charged to profit or loss (30 June 2017: $0.1 million), and $0.1 million was capitalised to mine properties and development (30 June 2017: $0.3 million).

Leased assets

Property, plant and equipment includes equipment of $1.1 million (31 December 2017: $1.3million) that is held through a finance lease arrangement. The leased equipment is also encumbered as security for the corresponding lease liability of $1. 2 million (31 December 2017: $1.3 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(c) Provisions

	30 JUNE 2018 US$'000	31 DECEMBER 2017 US$'000
Current		
Employee benefits	840	696
Other provisions	-	199
	840	895
Non-current		
Decommissioning and restoration	8,693	8,285
Employee benefits	31	33
	8,724	8,318

Movements in Decommissioning and restoration provision

	6 MONTHS TO 30 JUNE 2018 US$'000
Balance at beginning of period	8,285
Additional provisions:	
- Capitalised to mines properties and development	372
- Unwind of discount	36
Balance at end of period	8,693

NOTE 9. EQUITY

(a) Issued Capital

	30 JUNE 2018 Shares	31 DECEMBER 2017 Shares	30 JUNE 2018 US$'000	31 DECEMBER 2017 US$'000
Issued and fully paid ordinary shares	297,434,215	297,022,766	453,856	452,601
	297,434,215	297,022,766	453,856	452,601

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 2018			
Balance at beginning of period	297,022,766		452,601
Issue of new shares:			
- Equity-settled remuneration	411,449	A$3.37	1,085
- Transfer from share option reserve	-	-	170
Balance at end of period	**297,434,215**		**453,856**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9. EQUITY (CONTINUED)

(a) Issued Capital (continued)

Non-controlling interests

During the period, Twigg Exploration and Mining Limitada (Twigg) signed a Mining Agreement with the Government of the Republic of Mozambique. The Mining Agreement has been presented to the Administrative Court in Mozambique for sanctioning after which time it will become binding and enforceable. The terms of the Mining Agreement provide for a 5% non-controlling non-diluting interest in Twigg to be made available to a Mozambique Government entity. As at 30 June 2018, the Mining Agreement was not yet sanctioned by the Administrative Court in Mozambique. A non-controlling interest in Twigg will be recognised after the issuance of shares to the Mozambique Government entity.

(b) Reserves

	30 JUNE 2018 US$'000	31 DECEMBER 2017 US$'000
Foreign currency translation reserve	(16,554)	(15,864)
Share-based payments reserve	5,958	6,222
	(10,596)	(9,642)

(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 2018			
Balance at beginning of period	(15,864)	6,222	(9,642)
Foreign currency translation	(690)	-	(690)
Share-based payments	-	2,483	2,483
Issuance of shares	-	(1,255)	(1,255)
Transfer of expired/ lapsed options	-	(1,492)	(1,492)
Balance at end of period	(16,554)	5,958	(10,596)

(ii) Nature and purpose of reserves

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the profit and loss when the net investment is disposed of.

The Group assesses the functional currency of each entity in the consolidated group when there are changes in circumstances that could result in a change in the currency that predominantly influences the economic results of each respective entity. 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 is the currency that predominately influences the revenues, expenditures and financing activities of this entity going forward.

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 2018 US$'000	31 DECEMBER 2017 US$'000
Mine properties and development	2,124	3,903
Property, plant and equipment	2,831	5,320
Total capital commitments	4,955	9,223

The above capital expenditure commitments are in relation to the development and construction of the Balama Graphite Project in Mozambique and the development of the downstream Battery Anode Material (BAM) project.

(b) Operating lease expenditure commitments

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

	30 JUNE 2018 US$'000	31 DECEMBER 2017 US$'000
Within one year	358	316
After one year but not more than five years	411	532
Minimum lease payments	769	848

(c) Contingencies

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

(d) Guarantees

Bank guarantees have been provided by Twigg Exploration and Mining Limitada, which unconditionally and irrevocably guarantee in favor of the Ministry of Mineral Resources and Energy (MIREME) in Mozambique, the due and punctual payment of amounts up to a maximum amount of MZN162 million (US$2.7 million) as at 30 June 2018 (31 December 2017: MZN162 million (US$2.7 million)) in relation to the rehabilitation or removal of project infrastructure as per the mine closure plan for the Balama Operation.

A parent company guarantee has been issued by Syrah Resources Limited in favour of the Government of Mozambique, which unconditionally and irrevocably guarantees amounts up to a maximum of US$22.5 million to cover any loss or damage or other costs arising out of, or associated with, a breach of the Mining Concession held by Twigg Exploration and Mining Limitada. This guarantee is required to remain in place for a period of two years after the signing of the Mining Agreement.

NOTE 11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 16 August 2018, the Company announced the purchase completion of its BAM plant site in Vidalia, Louisiana. The total purchase price for the plant site was $1.225 million for a 25 acre site with an existing 50,000 square foot industrial building.

On 4 September 2018, the Company announced a fully underwritten A$94 million (US$68 million) capital raising to complete the ramp-up of the Balama Graphite Operation through to positive cash flow, progress Syrah's BAM strategy to the end of 2019, fund the evaluation of the Vanadium Resource at Balama, fund corporate, general and administrative costs and provide balance sheet strength. Under the terms of the Offer, institutional investors will subscribe for 42.2 million new shares in the Company at A$2.23 per share to raise approximately A$94 million (US$68 million) before costs. Following completion of the Institutional Placement, the Company will also offer eligible shareholders in Australia and New Zealand the right to participate in a Share Purchase Plan (SPP). The SPP price will be A$2.23 per share which is equal to the Offer Price of the Institutional Placement. The SPP will aim to raise approximately A$14 million (US$10 million) and is not underwritten.

No other event has occurred subsequent to 30 June 2018 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 25 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standard 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 2018 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
4 September 2018

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 2018, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, and the 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 2018 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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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 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
4 September 2018