Syrah Resources Limited
ABN 77 125 242 284

INTERIM REPORT
for the half-year ended 30 June 2022

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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 2022. 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
José Manuel Caldeira	Non-Executive Director
Lisa Bahash	Non-Executive Director
Sara Watts	Non-Executive Director
John Beevers	Non-Executive Director

Principal activities

The principal continuing activities of the consolidated entity consisted of:

- Production of natural graphite products from the Balama Graphite Operation ("Balama") in Mozambique;
- Sales of natural graphite and ongoing development of logistics, sales and marketing arrangements with targeted customers;
- Development of the use of high-quality graphite from Balama as an input into the production of battery anode material, including Vidalia Active Anode Material ("AAM"), and industrial products;
- Campaign operations of the AAM facility at Vidalia, qualification and testing of AAM with potential customers and development of commercial sales arrangements with potential customers; and
- Engineering, procurement and construction activities for a 11,250 tonnes per annum AAM facility at Vidalia and studies exploring an expansion of Vidalia's production capacity to at least 45,000 tonnes per annum.

REVIEW OF OPERATIONS

Business update

During the interim financial period, Balama production and sales increased significantly compared with the prior corresponding period. Higher production rates were supported by strong global customer demand for Electric Vehicles, which creates strong demand for Balama products. However, Balama production was constrained by disruption in the global container shipping market. To supplement Nacala container shipments, Syrah developed a new logistics option, commencing breakbulk shipments through Pemba port. Three breakbulk shipments were completed in the interim period for a total of approximately 30,000 tonnes of natural graphite. Through the interim financial period Balama produced approximately 89,800 tonnes (H1 2021: 33,500 tonnes) and sold and shipped approximately 79,300 tonnes (H1 2021: 17,000 tonnes). Syrah took a final investment decision on the installation of a 11.25 MWp solar photovoltaic installation combined with an 8.5 MW/MWh battery energy storage system at Balama and construction of this system progressed during the period.

The Company made outstanding progress in its strategy to become a vertically integrated natural graphite AAM supply alternative for USA and European battery supply chain participants and OEM customers via the development of a large-scale AAM facility at Vidalia. Syrah's Board approved a final investment decision for Vidalia's initial expansion to 11,250 tonnes per annum AAM production capacity ("Vidalia Initial Expansion"). The final investment decision for the Vidalia Initial Expansion project was underpinned by an institutional placement and pro rata non-renounceable entitlement offer for approximately A$250 million

(US$180.7 million), which was completed during the period, and an offtake agreement executed with Tesla, Inc in December 2021. Varied project workstreams for the Vidalia Initial Expansion project progressed through the interim financial period including detailed engineering and procurement activities with Worley Group, off-site major equipment fabrication, and site preparation and construction activities at Vidalia. The Company is advancing qualification processes with target customers as well as product and process development at Vidalia. Trade-off studies were completed to inform a basis of design for a definitive feasibility study on the expansion of Vidalia's production capacity to at least 45,000 tonnes per annum AAM, inclusive of 11,250 tonnes per annum AAM. During the interim financial period, Syrah Technologies, LLC, Syrah's wholly owned subsidiary, finalised a non-binding term sheet and was offered a Conditional Commitment for a loan from the US Department of Energy ("DOE") to support the financing of the Vidalia Initial Expansion project. On 28 July 2022, Syrah announced it had entered into binding documentation for a loan facility up to US$102 million (A$146 million) from DOE to Syrah Technologies, LLC to support the financing of the Vidalia Initial Expansion project. As at the date of this report, no drawdowns have been made under the loan facility.

Statement of comprehensive income

The loss for the consolidated entity after income tax amounted to $9.9 million during the interim financial period ended 30 June 2022 (2021: $25.0 million loss).

Revenue reported for the interim financial period comprised sales of natural graphite products of $49.7 million (2021: $8.9 million).

Cost of sales reported for the interim financial period was $40.6 million (2021: $22.4 million), mainly comprised of mining and production costs of $34.8 million (2021: $18.2 million), logistics costs of $9.0 million (2021: $5.5 million), depreciation and amortisation expense relating to Balama of $5.2 million (2021: $4.9 million), offset by changes in inventories of -$9.6 million (2021: -$7.1 million).

Distribution costs of $16.5 million (2021: $1.9 million), of which $15.4 million (2021: $1.1 million) were shipping costs.

Administrative expenses of $5.0 million (2021: $5.0 million), of which $3.4 million (2021: $3.2 million) related to employee benefits.

Write-down of product inventories due to valuation of inventories at the lower of cost or net realisable value of $2.1 million (2021: $1.7 million).

Other income of $8.0 million (2021: $1.2 million) principally due to unrealised foreign exchange gain on revaluation of United States Dollar Cash and Cash Equivalent balance.

Net finance expenses of $3.1 million (2021: $2.6 million), of which $2.8 million (2021: $1.9 million) related to interest incurred on the Convertible Notes.

The total comprehensive loss was $15.1 million (2021: $25.0 million) and included a non-cash loss of $5.2 million (2021: gain of $0.01 million) from the translation of the holding company's financial statements from Australian dollars (AUD) to 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 2022 were $580.5 million (31 December 2021: $428.9 million).

The consolidated entity's Cash and Cash Equivalents as at 30 June 2022 were $168.1 million (31 December 2021: $52.9. million) and working capital, being Current Assets less Current Liabilities, was $190.4 million (31 December 2021: $58.1 million). The net increase in Cash and Cash Equivalents and working capital is a result of the net proceeds received from the institutional placement and retail entitlement offer, offset by operating cash outflow from the Balama operation and ongoing development of the Vidalia Initial Expansion project.

Current Trade and Other Receivables were higher at $15.7 million as at 30 June 2022 (31 December 2021: $7.9 million) with an increase in Trade Receivables to $7.6 million as at 30 June 2022 (31 December 2021: $4.3 million) and an increase in Prepayments to $7.3 million (31 December 2021: $2.9 million).

Inventories were $28.0 million as at 30 June 2022 (31 December 2021: $20.4 million).

Property, Plant and Equipment as at 30 June 2022 was $208.3 million (31 December 2021: $180.5 million), mainly due to capital expenditure for Balama Tailing Storage Facility Cell 2 and the capitalisation of costs associated with the Vidalia Initial Expansion project, offset by depreciation of the assets during the interim financial period.

Mining Assets decreased during the interim financial period to $124.6 million as at 30 June 2022 (31 December 2021: $132.8 million) mainly due to reduction of rehabilitation provision of $6.5m and amortisation on Mining Assets of $1.7 million.

Non-Current Trade and Other Receivables increased during the interim financial period to $9.8 million as at 30 June 2022 (31 December 2021: $8.0 million) with the balance principally comprising Input Tax Credits (Value Added Tax) paid in Mozambique. An amount of $3.1 million was recovered during the interim period (12 months to 31 December 2021: $1.2 million). In 2021, the Company determined that there was some doubt relating to the recoverability of input tax credits at Twigg prior to 2017. As a result, a provision of $0.8 million for impairment of input tax Credits was recognized in 2021. The Group continues to engage with relevant authorities in Mozambique to progress the recovery process.

The consolidated entity had total liabilities of $126.5 million as at 30 June 2022 (31 December 2021: $136.4 million), which included Trade and Other Payables of $18.6 million (31 December 2021: $19.6 million); a provision for decommissioning and rehabilitation of Balama of $8.5 million (31 December 2021: $15.0 million); a provision for Balama community development of $10.4 million (31 December 2021: $11.3 million); Non-Current Borrowings for Convertible Notes of $69.1 million (31 December 2021: $69.9 million) and Lease Liabilities of $15.7 million (31 December 2021: $16.2 million).

Total equity of the consolidated entity as at 30 June 2022 was $454.0 million (31 December 2021: $292.5 million), with the increase attributable to net increase of $176.6 million in equity from shares issued under the institutional placement, retail entitlement offer and share-based payment arrangements during the interim financial period, offset by a net comprehensive loss for the period of $15.1 million.

Statement of cash flows

Cash flow from operating activities

Net cash outflow from operating activities during the interim financial period ended 30 June 2022 was $22.8 million (2021: $15.8 million) and principally consisted of receipts from the sale of natural graphite products, offset by payments relating to expenses from operating Balama, as well as corporate office, compliance and other employee benefits expenses.

Cash flow from investing activities

Net cash outflow from investing activities during the interim financial period ended 30 June 2022 was $35.6 million (2021: $7.8 million) and principally consisted of payments for development of the Vidalia Initial Expansion project and capital expenditure for Balama Tailing Storage Facility Cell 2.

Cash flow from financing activities

Net cash inflow from financing activities during the interim financial period ended 30 June 2022 was $174.0 million (2021: net cash inflow $33.7 million) principally consisted of net proceeds received from shares issued under the institutional placement and retail entitlement offer in February 2022.

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 28 July 2022, Syrah announced it had entered into binding documentation for a loan facility up to US$102 million (A$146 million) from DOE to Syrah Technologies, LLC to support the financing of the Vidalia Initial Expansion project. As at the date of this report, no drawdowns have been made under the loan facility.

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 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
5 September 2022

Auditor's Independence Declaration

[INSERT PwC Auditor's Declaration]

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2022

	NOTES	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000
Revenue from continuing operations			
Revenue	3	49,729	8,935
Cost of sales	4	(40,648)	(22,435)
Gross profit / (loss)		9,081	(13,500)
Distribution costs	5	(16,519)	(1,883)
Administrative expenses	6	(5,040)	(4,966)
Other income / (expenses)		8,045	1,160
Write-down of inventories		(2,137)	(1,738)
Profit / (loss) before net finance income and income tax		(6,570)	(20,927)
Finance income		505	76
Finance expenses		(3,615)	(2,721)
Net finance income / (expense)		(3,110)	(2,645)
Profit / (loss) before income tax		(9,680)	(23,572)
Income tax benefit / (expense)	7	(239)	(1,378)
Loss after income tax for the half-year		(9,919)	(24,950)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to the profit or loss			
Exchange differences on translation of foreign subsidiaries	10(b)	(5,177)	10
Other comprehensive income/(loss) for the period, net of tax		(5,177)	10
Total comprehensive income / (loss) for the period		(15,096)	(24,940)
Total comprehensive income / (loss) for the period attributable to:			
- Equity holders of Syrah Resources Limited		(14,476)	(23,939)
- Non-controlling interest		(620)	(1,001)
		(15,096)	(24,940)
Loss per share for loss attributable to the owners of Syrah Resources Limited:		**Cents**	**Cents**
Basic loss per share		(2.33)	(4.84)
Diluted loss per share		(2.33)	(4.84)

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

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2022

	NOTES	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Assets			
Current assets			
Cash and cash equivalents	8(a)	168,116	52,914
Trade and other receivables	8(b)	15,708	7,865
Inventories	9(a)	28,025	20,385
Available-for-sale financial assets		479	395
Total current assets		**212,328**	**81,559**
Non-current assets			
Trade and other receivables	8(b)	9,840	7,955
Property, plant and equipment	9(c)	208,250	180,520
Mining assets	9(b)	124,586	132,764
Intangible assets		60	129
Deferred tax assets	9(d)	25,443	25,961
Total non-current assets		**368,179**	**347,329**
Total assets		**580,507**	**428,888**
Liabilities			
Current liabilities			
Trade and other payables	8(c)	17,029	18,062
Lease liabilities	8(d)	3,228	3,229
Provisions	9(e)	1,632	2,173
Total current liabilities		**21,889**	**23,464**
Non-current liabilities			
Trade and other payables	8(c)	1,541	1,496
Borrowings	8(e)	69,141	69,852
Lease liabilities	8(d)	12,422	12,980
Deferred tax liabilities	9(d)	3,343	3,622
Provisions	9(e)	18,199	24,960
Total non-current liabilities		**104,646**	**112,910**
Total liabilities		**126,535**	**136,374**
Net assets		**453,972**	**292,514**
Equity			
Issued capital	10(a)	795,631	619,285
Reserves	10(b)	(19,843)	(14,008)
Accumulated losses		(325,441)	(317,008)
Non-controlling interest	10(c)	3,625	4,245
Total equity		**453,972**	**292,514**

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

SYRAH RESOURCES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR HALF-YEAR ENDED 30 JUNE 2022

\	CONTRIBUTED EQUITY US$'000	ACCUMULATED LOSSES US$'000	NON-CONTROLLING INTEREST US$'000	RESERVE US$'000	TOTAL EQUITY US$'000
Balance at 1 January 2022	**619,285**	**(317,008)**	**4,245**	**(14,008)**	**292,514**
Loss after income tax expense for the period attributable to owners of					
- Syrah Resources Limited	-	(9,299)	-	-	(9,299)
- Non-controlling interest	-	-	(620)	-	(620)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	(5,177)	(5,177)
Total comprehensive income/(loss) for the period	**-**	**(9,299)**	**(620)**	**(5,177)**	**(15,096)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	175,591	-	-	-	175,591
Share-based payments	-	-	-	963	963
Transfers from share-based payment reserve					
- Issuance of shares	755	-	-	(755)	-
- Expired/lapsed options and performance rights	-	866	-	(866)	-
	176,346	866	-	(658)	176,554
Balance at 30 June 2022	**795,631**	**(325,441)**	**3,625**	**(19,843)**	**453,972**
Balance at 1 January 2021	**604,920**	**(264,134)**	**-**	**(7,994)**	**332,792**
Loss after income tax expense for the period attributable to owners of					
- Syrah Resources Limited	-	(23,949)	-	-	(23,949)
- Non-controlling interest	-	-	(1,001)	-	(1,001)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	10	10
Total comprehensive income/(loss) for the period	**-**	**(23,949)**	**(1,001)**	**10**	**(24,940)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	13,510	-	-	-	13,510
Share-based payments	-	-	-	1,287	1,287
Transfers from share-based payment reserve					
- Issuance of 5% Non-controlling interest in subsidiary	-	-	7,201	(7,201)	-
- Issuance of shares	763	-	-	(763)	-
- Expired/lapsed options and performance rights	-	988	-	(988)	-
	14,273	988	7,201	(7,665)	14,797
Balance at 30 June 2021	**619,193**	**(287,095)**	**6,200**	**(15,649)**	**322,649**

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 2022

	NOTES	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000
Cash flows from operating activities			
Receipts from customers		46,565	5,175
Payments to suppliers and employees (inclusive of goods and services tax)		(69,645)	(21,001)
Interest received		247	75
Net cash inflow/(outflow) from operating activities		**(22,833)**	**(15,751)**
Cash flows from investing activities			
Payments for property, plant and equipment		(31,152)	(7,525)
Payments for security deposits		(4,413)	(312)
Net cash inflow/(outflow) from investing activities		**(35,565)**	**(7,837)**
Cash flows from financing activities			
Proceeds from issue of shares		180,777	13,733
Proceeds from convertible note		-	21,051
Share issue transaction costs		(5,186)	(223)
Payment for lease principal and interest		(1,580)	(824)
Net cash inflow/(outflow) from financing activities		**174,011**	**33,737**
Net (decrease)/increase in cash and cash equivalents		**115,613**	**10,149**
Cash and cash equivalents at the beginning of the half-year		52,914	74,992
Effects of exchange rate changes on cash and cash equivalents		(411)	129
Cash and cash equivalents at the end of the half-year	8(a)	**168,116**	**85,270**

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 for the entity consisting of Syrah Resources Limited and its subsidiaries and are presented in United States Dollars (USD).

Syrah Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is at c/- Vistra Australia (Melbourne) Pty Ltd, Level 4, 96-100 Albert Road, South Melbourne VIC 3205 and principal place of business is at Level 7, 477 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 2022 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 2021 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 2021 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.

(c) 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 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(d) Liquidity and capital management

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding, and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As of 30 June 2022, the Group had a Cash and Cash Equivalents balance of $168.1 million which it believes is sufficient to meet its obligations and continue its current business activities. Balama has continued ramp-up during H1 2022 and has now produced an average of 15kt/month of graphite concentrate during the reporting period, with production levels only limited by external shipping challenges. Shipping challenges are seen as a temporary challenge and are expected to improve in the near term, assisted by bulk shipping options implemented, improvements at the Port of Nacala, and improvement in global shipping conditions.

The Group completed an institutional placement and pro rata accelerated non-renounceable entitlement offer for approximately A$250 million (US$180.7 million) to: 1) fully fund remaining estimated installed capital costs for the Vidalia Initial Expansion project, 2) fund estimated costs associated with Vidalia operations, expansion studies and product development, 3) pay the transaction costs of the offer and 4) fund Balama Tailing Storage Facility expansion and sustaining capital costs, Balama working capital and for general corporate purposes. Subsequent to the end of the interim financial period, Syrah entered into binding loan documentation for a loan facility up to US$102 million from DOE to Syrah Technologies, LLC.

The Company may require additional financing, in addition to existing cash reserves, to meet activities associated with the Vidalia Initial Expansion project, operating and capital expenditure requirements for Balama, and general and administrative expenditures. In addition, the effects of COVID-19 on our business and the markets in which we operate could have further impacts on the Group's Liquidity risk, and we continue to assess possible scenarios representing a broad range of factors. The Directors have determined that the Group has adequate cash resources to meet its obligations and continue its business activities in all scenarios that they consider reasonably possible.

Based on the initiatives noted, the Company believes that it can meet its debts and obligations as and when they fall due and accordingly has adopted the going concern basis of accounting in the preparation of these financial statements.

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 segments:

Balama	Production, distribution, and sale of natural flake graphite from the Balama Graphite Operation in Mozambique.
Vidalia	Product development, testing, qualification, production and sale of natural graphite AAM and feasibility, engineering, procurement and construction activities associated with the staged expansion of the Vidalia processing facility in the USA, including the Vidalia Initial Expansion project.
Corporate	Corporate administration and investing activities.

(b) Segment information provided to the Executive Management Team

	BALAMA US$'000	VIDALIA US$'000	CORPORATE US$'000	CONSOLIDATED US$'000
Half-year ended 30 June 2022				
Total segment revenue	49,742	-	-	49,742
Inter-segment revenue	(13)	-	-	(13)
Revenue from external customers	49,729	-	-	49,729
Total segment EBITDA	(4,367)	(185)	3,533	(1,019)
Half-year ended 30 June 2021				
Total segment revenue	8,961	-	-	8,961
Inter-segment revenue	(26)	-	-	(26)
Revenue from external customers	8,935	-	-	8,935
Total segment EBITDA	(12,239)	(149)	(3,577)	(15,965)
Total segment current assets				
30 June 2022	43,138	19	169,171	212,328
31 December 2021	28,064	12	53,483	81,559
Total segment non-current assets				
30 June 2022	260,722	106,856	601	368,179
31 December 2021	268,186	79,020	123	347,329
Total segment liabilities				
30 June 2022	(47,996)	(7,486)	(71,053)	(126,535)
31 December 2021	(58,168)	(6,794)	(71,412)	(136,374)

Sales between segments are carried out at arm's length and are eliminated on consolidation. Segment assets are allocated based on the operations of the segment and the physical location of the asset.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 3. REVENUE

	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000
Revenue from external customers	49,729	8,935

(a) Geographical information

Segment revenues from sales to external customers based on the geographical location of the port of discharge.

	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000
China	30,976	3,612
Europe	12,136	3,085
India	3,184	403
Americas	3,260	1,821
Other locations	173	14
	49,729	8,935

(b) Major customer information

Revenue from seven major customers (three in China, three in Europe, and one in Americas), which individually accounted for approximately 5% or greater of total segment revenues, amounted to $34.2 million arising from the sale of natural graphite products on CIF basis. Sales to Chinese customers were 62% of the total revenue, while sales to European, American and Indian customers were 24%, 7% and 6% respectively.

NOTE 4. COST OF SALES

	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000
Mining and production costs	34,783	18,160
Logistics costs	8,961	5,473
Government royalties	744	113
Depreciation and amortisation expense	5,248	4,947
Changes in inventories	(9,572)	(7,066)
Other costs	484	808
	40,648	22,435

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 5. DISTRIBUTION COSTS

	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000
Shipping costs	15,434	1,075
Depreciation and amortisation	7	19
Other selling costs	1,078	789
	16,519	1,883

NOTE 6. ADMINISTRATIVE EXPENSES

	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000
Employee benefits expense		
Salaries and wages	1,849	1,684
Share-based payments	1,229	1,287
Employee entitlements	183	92
Defined contribution superannuation expense	155	117
Total employee benefits expenses	3,416	3,180
Legal and consulting expenses		
Legal expenses	159	152
Consulting expenses	638	892
Total legal and consulting expenses	797	1,044
Other administrative expenses	827	742
Total administrative expenses	5,040	4,966

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7. INCOME TAX EXPENSE

(a) Income tax expense

	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000
Current tax expense	-	-
Deferred tax expense	239	1,378
Total tax expense/(benefit)	239	1,378
Deferred income tax		
(Increase)/decrease in deferred tax assets	518	484
Increase/(decrease) in deferred tax liabilities	(279)	894
Total deferred tax expense/(benefit)	239	1,378

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000
Loss before income tax expense from continuing operations	(9,680)	(23,572)
Tax at the Australian tax rate of 30% (30 June 2021: 30%)	(2,904)	(7,072)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	369	384
- Non-deductible interest expenses	2,490	1,031
- Other non-deductible expenses	937	422
- Differences in overseas tax rate	1,351	392
- Movement in unrecognised temporary differences	(1,712)	162
- Current period taxation losses not recognised as deferred tax assets	16	5,235
- Other differences	(308)	824
Income tax expense/(benefit)	239	1,378

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Cash at bank and in hand	14,522	21,109
Deposits at call	153,594	31,805
Total cash and cash equivalents	168,116	52,914

Cash and Cash Equivalents comprises cash on hand, deposits and cash at call held at financial institutions, other short-term, highly liquid investments with maturities of three months or less that are readily convertible to amounts of cash and which are subject to an insignificant risk of changes in value.

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 2022 the weighted average interest rate on current accounts and term deposits was 1.42% (31 December 2021: 0.21%).

(b) Trade and other receivables

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Current		
Trade receivables	7,622	4,316
Prepayments	7,325	2,876
Other receivables	749	665
Input tax credits	12	8
Total current trade and other receivables	15,708	7,865
Non-current		
Input tax credits	2,151	4,678
Provision for impairment of input tax credits (1)	(824)	(824)
Security deposits (2)	8,513	4,101
Total non-current trade and other receivables	9,840	7,955

(1) The Company regularly assesses the recoverability of input tax credits. As a result of the most recent assessment, the Company determined that there was some doubt relating to the recoverability of input tax credits at Twigg prior to 2017. As a result, a provision of $0.8 million for impairment of input tax credits was recognised in 2021

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(c) Trade and other payables

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Current		
Trade payables and accruals	15,518	16,570
Other payables	1,511	1,492
Total current trade and other payables	17,029	18,062
Non-current		
Trade payables and accruals	1,541	1,496
Total non-current trade and other payables	1,541	1,496

(d) Leases

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Current	3,228	3,229
Non-current	12,422	12,980
Total lease liabilities	15,650	16,209

(e) Borrowings

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Non-current borrowings		
Initial face value of Convertible Notes (1) issued	60,143	60,143
Capitalised to principal outstanding		
- Interest expense	11,514	8,827
- Transaction costs	1,203	1,203
Deferred transaction costs	(647)	(782)
Exchange differences	(3,072)	461
Total Convertible Notes	69,141	69,852

(1) Syrah Resources Limited issued a 5-year unsecured A$55.8 million Convertible Note Series 1 in October 2019 and A$28.0 million Convertible Note Series 3 in June 2021 to AustralianSuper Pty Ltd as Trustee for AustralianSuper. Under the terms of the Convertible Notes, the Group elected to accrue interest on the principal outstanding at a rate of 8% per annum, capitalised quarterly in arrears Syrah Resources Limited also incurred a total of A$1.7 million transaction costs related to the issuance of the Convertible Notes which were capitalised when the Notes were issued and are amortised to Finance Expense over the term of the Convertible Notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9. NON-FINANCIAL ASSETS AND NON-FINANCIAL LIABILITIES

(a) Inventories

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Stores and materials	13,172	12,967
Ore stockpile	1,462	241
Work in progress	88	23
Finished goods	13,303	7,154
	28,025	20,385

Inventory write-down
Write-down of product inventories to net realisable value totaled $2.1 million in the interim period (31 December 2021: $1.3 million) and were recognised as an expense in the statement of comprehensive income.

(b) Mining assets

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Exploration and evaluation	1,305	1,308
Mine properties and development	123,281	131,456
Total mining assets	124,586	132,764

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

	EXPLORATION AND EVALUATION US$'000	MINE PROPERTIES AND DEVELOPMENT US$'000	TOTAL US$'000
At 1 January 2022			
Cost	1,308	134,624	135,932
Accumulated depreciation and impairment	-	(3,168)	(3,168)
Net book amount	1,308	131,456	132,764
6 months to 30 June 2022			
Balance at beginning of period	1,308	131,456	132,764
Additions	-	-	-
Change in rehabilitation estimate	-	(6,515)	(6,921)
Amortisation expenses	-	(1,660)	(1,660)
Exchange differences	(3)	-	(3)
Balance at end of period	1,305	123,281	124,180

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
Mine Properties and Development mainly relates to the development costs of the Balama Graphite Project in Mozambique.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9. NON-FINANCIAL ASSETS AND NON-FINANCIAL LIABILITIES (CONTINUED)

(c) Property, Plant and Equipment

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	COMPUTER EQUIPMENT	ASSETS UNDER CONSTRUCTION	RIGHT-OF-USE ASSETS	TOTAL
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2022						
Cost	15,024	125,629	887	84,899	17,952	244,391
Accumulated depreciation and impairment	(5,765)	(50,516)	(521)	-	(7,069)	(63,871)
Net book amount	9,259	75,113	366	84,899	10,883	180,520
For the half year ended 30 June 2022						
Balance at beginning of period	9,259	75,113	366	84,899	10,883	180,520
Additions	-	521	24	30,998	530	32,073
Depreciation charge	(191)	(2,294)	(65)	-	(1,194)	(3,744)
Exchange differences	-	(1)	(1)	(574)	(23)	(599)
Balance at end of period	9,068	73,339	324	115,323	10,196	208,250
At 30 June 2022						
Cost	15,024	126,149	905	115,323	18,458	275,859
Accumulated depreciation and impairment	(5,956)	(52,810)	(581)	-	(8,262)	(67,609)
Net book amount	9,068	73,339	324	115,323	10,196	208,250

Assets under construction

Assets Under Construction as at 30 June 2022 consists of capitalised project and product development costs for the Vidalia Initial Expansion Project of $28.4 million and capital costs for Balama of $2.6 million mainly relates to Tailing Storage Facility Cell 2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9. NON-FINANCIAL ASSETS AND NON-FINANCIAL LIABILITIES (CONTINUED)

(d) Deferred tax balances

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Taxation losses [(1)]	2,302	2,302
Mining assets	23,141	23,659
Total deferred tax assets	25,443	25,961
Deferred tax liabilities		
Non-financial assets	(3,343)	(3,622)
Total deferred tax liabilities	(3,343)	(3,622)

(1) Relates to tax losses held by Twigg Exploration & Mining Limitada (Twigg) in Mozambique. Twigg will have five years to utilize these losses in accordance with Mozambique tax laws.

Movements in deferred tax balances

	BALANCE AT 1 JANUARY 2022 US$'000	(CHARGED) / CREDITED TO PROFIT OR LOSS US$'000	BALANCE AT 30 JUNE 2022 US$'000
Deferred tax assets			
Taxation losses	2,302	-	2,302
Mining assets	23,659	(518)	23,141
Total deferred tax assets	25,961	(518)	25,443
Deferred tax liabilities			
Non-financial assets	(3,622)	279	(3,343)
Total deferred tax liabilities	(3,622)	279	(3,343)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9. NON-FINANCIAL ASSETS AND NON-FINANCIAL LIABILITIES (CONTINUED)

(e) Provisions

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Current		
Employee benefits	817	714
Other current provisions [1]	815	1,459
	1,632	2,173
Non-current		
Employee benefits	103	102
Decommissioning and restoration	8,521	15,004
Other non-current provisions [1]	9,575	9,854
	18,199	24,960

(1) The provision relating to obligation to incur expenditure on Balama community development initiatives. The provision is capitalised into Mine Properties and Development as shown in Note 9(b).

Movements in decommissioning and restoration provision

	6 MONTHS TO 30 JUNE 2022 US$'000
Balance at beginning of period	15,004
Additional provisions:	
- Changes in rehabilitation provision	(6,515)
- Unwind of discount	32
Balance at end of period	8,521

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 10. EQUITY

(a) Issued Capital

	30 JUNE 2022 SHARES	31 DECEMBER 2021 SHARES	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Issued and fully paid ordinary shares	669,331,522	498,734,723	795,631	619,285
	669,331,522	498,734,723	795,631	619,285

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

	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUED PRICE (A$)	US$'000
6 months to 30 June 2022			
Balance at beginning of period	498,734,723		619,285
Issue of new shares:			
- Institutional placement	84,459,460	AUD 1.48	89,650
- Entitlement offer	84,525,157	AUD 1.48	91,127
- Equity-settled remuneration	1,612,182	- (1)	-
Transfers from share-based payment reserved (2)	-		755
Capital raising costs	-		(5,186)
Balance at end of period	669,331,522		795,631

(1) The cost associated with issuance of these shares is included in the transfers from share-based payments reserve line item.

(2) Represents transfers from the share-based payment reserves on issuance of shares under the Group Short Term Incentive (STI) and Long Term Incentive (LTI) plans.

(b) Reserves

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Foreign currency translation reserve	(23,203)	(18,026)
Share-based payments reserve	3,360	4,018
	(19,843)	(14,008)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 10. EQUITY (CONTINUED)

(b) Reserves (Continued)

(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 2022			
Balance at beginning of period	(18,026)	4,018	(14,008)
Foreign currency translation	(5,177)	-	(5,177)
Share-based payments	-	963	963
Issuance of shares	-	(755)	(755)
Transfer of expired/lapsed options and performance rights	-	(866)	(866)
Balance at end of period	(23,203)	3,360	(19,843)

(ii) Nature and purpose of reserves

Foreign currency reserve

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 predominantly influences the revenues, expenditures and financing activities of this entity going forward.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity benefits and equity- settled contractual obligations issued by the Company.

(c) Non-controlling Interest

In accordance with the obligations imposed on Group's subsidiary Twigg Exploration and Mining Limitada under the Mining Agreement with the Mozambique Government, Syrah completed the transfer of 5% quota holding in Twigg Exploration and Mining Limitada to EMEM.

The transaction was accounted for under AASB 2 *Share-based payment* and measured at fair value when the agreement was entered into in 2018. In 2021, the shares were transferred to EMEM at which point the share-based payment reserve was transferred to non-controlling interest.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 11. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) Capital expenditure commitments

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

	30 JUNE 2022 US$'000	31 DECEMBER 2021 US$'000
Property, plant and equipment	67,641	20,598
Total capital commitments	67,641	20,598

The above capital expenditure commitments are in relation to the continued development of Balama in Mozambique (mainly relates to Tailings Storage Facility cell 2 and installation of a 11.25 MWp solar photovoltaic) and the development of Vidalia Initial Expansion project.

(b) Contingencies

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

(c) 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 US$8.3 million as at 30 June 2022 (31 December 2021: US$3.7 million) in relation to the rehabilitation or removal of project infrastructure as per the mine closure plan for Balama.

NOTE 12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 28 July 2022, Syrah announced it had entered into binding documentation for a loan facility up to US$102 million (A$146 million) from DOE to Syrah Technologies, LLC to support the financing of the Vidalia Initial Expansion project. As at the date of this report, no advances have been made under the loan facility.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 6 to 24 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 2022 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
5 September 2022

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

[INSERT PwC auditor’s review report]

[INSERT PwC auditor's review report]