



# ANNUAL REPORT 2015

For the 6 month period ended  
31 December 2015



**SYRAH** RESOURCES

# CORPORATE DIRECTORY

## Directors

James Askew *Non-Executive Chairman*  
Tolga Kumova *Managing Director*  
Sam Riggall *Non-Executive Director*  
Rhett Brans *Non-Executive Director*  
José Manuel Caldeira *Non-Executive Director*

## Company secretary

Melanie Leydin

## Registered and corporate office

### Melbourne office

Level 9, 356 Collins Street  
Melbourne VIC 3000  
Telephone: +61 3 9670 7264  
Email: [enquiries@syrahresources.com.au](mailto:enquiries@syrahresources.com.au)  
Website: [www.syrahresources.com.au](http://www.syrahresources.com.au)

### Perth office

Ground Floor, 10 Kings Park Road  
West Perth WA 6005

### Mozambique office

Pemba, Av. 1º Maio, Rua XII,  
Cabo Delgado, Moçambique  
Telephone: +285 2722 0713  
Email: [twigg.admin@syrahresources.com.au](mailto:twigg.admin@syrahresources.com.au)

## Share registry

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067  
Telephone: 1300 850 505 (within Australia)  
+61 3 9415 4000 (overseas)  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com.au](http://www.computershare.com.au)

## Auditors

PricewaterhouseCoopers  
Level 19, 2 Southbank Blvd  
Southbank VIC 3006

## Solicitors

Gilbert + Tobin  
Level 22, 101 Collins Street  
Melbourne VIC 3000

## Stock exchange listing

Australian Securities Exchange (ASX Code: SYR)  
American Depositary Receipts (Ticker Symbol: SRHYY)

# COMPANY PROFILE

## OVERVIEW

Syrah Resources Limited is currently developing its world class Balama Project in Mozambique and is focussed on its vision of becoming the leading supplier of superior quality graphite products to industrial and emerging technologies globally.

## OUR VISION

Syrah's vision is to be the leading supplier of superior quality graphite products, working closely with our customers and supply chain to innovate and bring enhanced value to industrial and emerging technology markets globally.

## OUR VALUES

Syrah is committed to:

- > **WORKING SAFELY** at all times
- > **PARTNERING WITH STAKEHOLDERS** for community and environmental sustainability
- > **INTEGRITY and FAIRNESS** in all our business dealings
- > Being **ACCOUNTABLE** for our decisions and actions
- > **SETTING GOALS** and supporting people to achieve them

We will work as a team and act like owners.

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**SYRAH RESOURCES IS AN AUSTRALIAN RESOURCE COMPANY  
COMMITTED TO THE DEVELOPMENT OF THE WORLD CLASS  
BALAMA GRAPHITE PROJECT IN MOZAMBIQUE**

BALAMA LOCATION MAP



# HIGHLIGHTS

## FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2015



Syrah completed a fully underwritten \$211 million capital raising in August 2015, commenced development and construction of the Balama Project and has set the foundation for the successful delivery of this world class in early 2017.

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### FUNDING

- > Successfully completed a fully underwritten \$211 million capital raising in August 2015

### BALAMA GRAPHITE PROJECT

#### Commenced the development and construction of the Balama Project by:

- > Commencing detailed engineering and design
- > Commencing pre-stripping of the Balama West orebody
- > Placing orders for all principal mechanical equipment and long lead items which are now in various stages of production
- > Completing bulk earthworks and preparing the processing plant site for the commencement of concrete work in early 2016
- > Substantially completing the construction of a 7 km sealed access road into site
- > Commencing with an expansion to the existing accommodation camp at Balama
- > Tendering of key operational service contracts including laboratory services, product transport, fuel supply and bulk storage contracts
- > Relocating farm lots from the Mining Concession and being recognised in Mozambique as a leading example as to how such programs should be implemented
- > Progressively recruiting key construction and operational staff with a number of positions being awarded to highly qualified Mozambican nationals

#### Continued product marketing efforts and product qualification testwork to secure

- > Statement of sales intent for up to 15,000 tonnes per annum of flake graphite with one of the world's largest refractory producers
- > Statement of sales intent for between 25,000 tonnes and 35,000 tonnes per annum of Balama natural graphite recarburisers (Balama recarburisers) with Hiller Carbon

#### Subsequent to 31 December 2015:

- > Three year offtake agreement for 20,000 tonnes per annum of flake graphite for Japanese and Korean markets with Marubeni Corporation

### PROPOSED SPHERICAL GRAPHITE PROJECT

- > Securing access to proprietary spherical graphite coating technology by entering into a 20 year exclusive licensing agreement with Morgan AM&T Hairong Co., Ltd (Hairong Morgan)
- > Signing various offtake agreement with Hairong Morgan after a period of extensive testwork on Balama spherical graphite including:
  - Three year Product Sales Agreement for 2,000 tonnes per annum of uncoated spherical graphite
  - Three year Marketing Agreement for 5,000 tonnes per annum of uncoated spherical graphite and 2,000 tonnes per annum of coated spherical graphite

#### Subsequent to 31 December 2015:

- > Entered into a Memorandum of Understanding with Marubeni Corporation to secure spherical graphite offtake agreements with anode and battery producers in Japan and Korea by 30 June 2016





OVER  
**40** YEARS  
OF MINE LIFE WITH  
**FURTHER  
GROWTH  
OPPORTUNITIES**



OVER  
**350**K TPA  
**GRAPHITE  
CONCENTRATE  
PRODUCTION**  
OVER THE FIRST  
10 YEARS



COMPLETED  
A\$**211m**  
**CAPITAL  
RAISING**  
IN AUGUST 2015



**BALAMA PROJECT  
CONSTRUCTION  
ACTIVITIES  
WELL  
UNDERWAY**



# CHAIRMAN'S LETTER

Your Board and management are strategizing the best ways to deliver shareholder value, while preserving a conservative balance sheet and capacity to accommodate challenges created by the very scale of our endeavour.

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Dear Shareholders,

This report for the “shortened” financial period of six months to 31 December 2015 is an interim update, following the Company’s decision to switch to a calendar year reporting period and thus has some brevity of content.

Your new management team has settled into the mission of building the Balama Graphite Project and evaluating ways to optimise the project. Few will appreciate that the scale of this project is an order of magnitude larger than any other graphite project ever constructed. This brings with it the advantages of operating cost efficiency and capacity to produce multiple graphite products, which necessitate careful attention to supply chain management and product qualification, essential to long term satisfaction of our global customers. These latter aspects are now being addressed in great detail and represent a very substantial barrier to entry for many of our competitors striving to enter the production supply chain. It is not enough to successfully build and operate the worlds’ largest graphite project; we must ensure the high grade ore is turned into a global brand of premium grade graphite concentrate, which redefines the expectations of customers and is cost-competitive across all product specifications.

Syrah is focused on traditional industrial markets and the emerging battery industry. Our planned scale of production at over 350,000 tonnes of +95% graphite concentrate per year will challenge established paradigms of graphite consumption and pricing. This excludes the potential of further expanding output to match demand from a broader customer community. Your Board and management are strategizing the best ways to deliver shareholder value, while preserving a conservative balance sheet and capacity to accommodate challenges created by the very scale of our endeavour. This will also require the capacity of our markets to appreciate the “game changing” that will be created by the scale and quality of Balama planned production.

I need to share with you the Board’s appreciation of how the management team has developed. Some fourteen months ago, when I joined the Board, the management team could euphemistically have been described as a “skeleton crew”. It is now a fully functional group, with a small Melbourne head office, the technical team and Chief Operating Officer based in Perth, and the Balama project team based in Mozambique. Systems essential to the management and construction activities are well established. In 2016, we are assembling a marketing, quality control and logistics management team to compliment the operations contingent.

The culture and values of an organization are key to its’ long term success. In this, Syrah is evolving into a high performance group with focus on creating and maintaining shareholder value, while building a reputation for excellent community relations, with transparency. These are aspects which are based on real behaviours and are earned, rather than “bought”. Your Board is impressed that the management team holds these as key tenets of their mission to deliver the production and products which global customers demand.

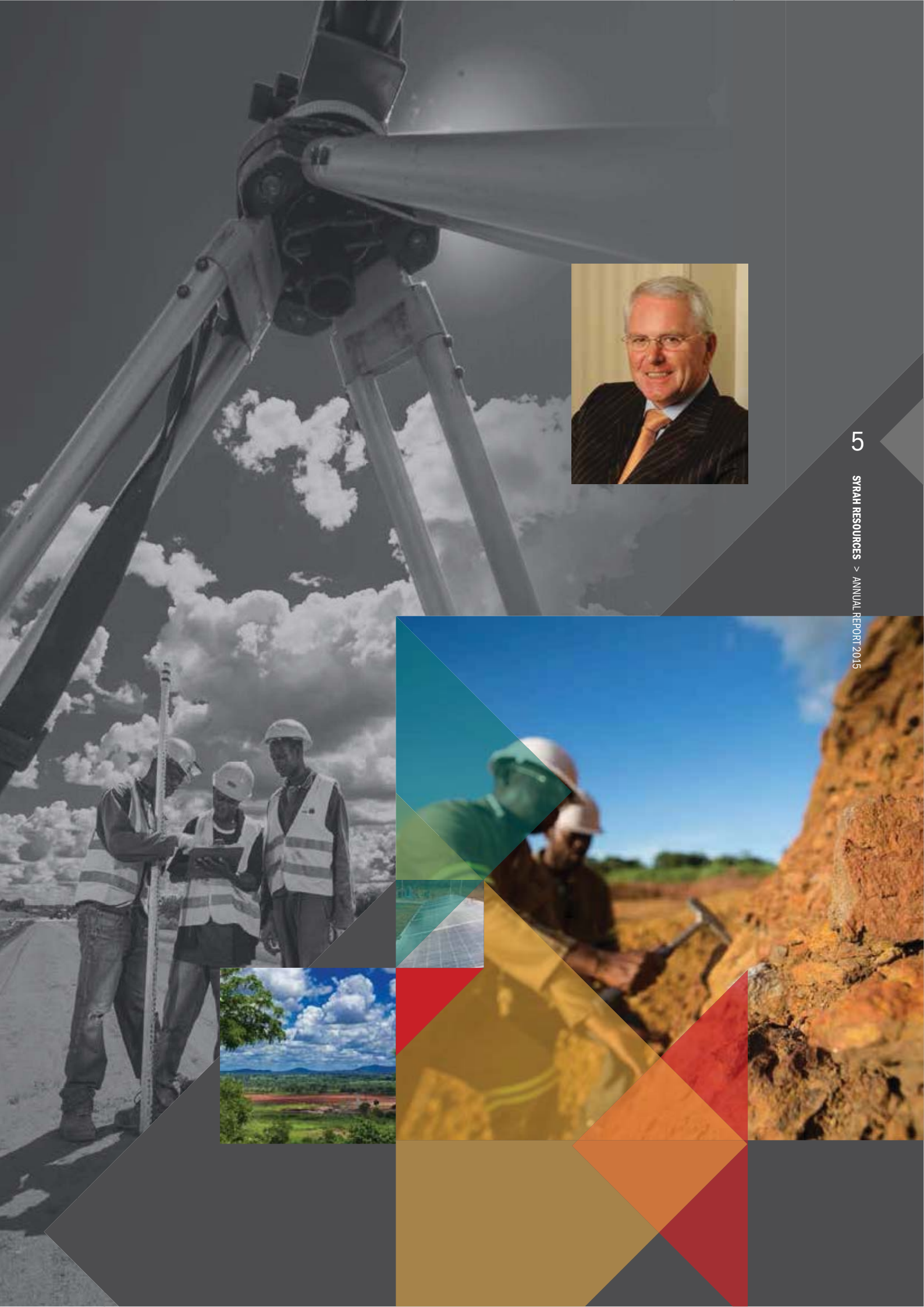
Sincerely,



**James Askew**

Chairman

31 March 2016





# MANAGING DIRECTOR'S REPORT

The past 6 months has been a transformational period for Syrah Resources and its shareholders, following the completion of a \$211 million capital raising in August 2015 and commencing the development of the Balama Project in Mozambique.

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Dear Shareholders,

Syrah has just completed a "shortened financial year" as a result of moving its financial reporting year to a calendar basis, commencing 1 January 2016. As a result, this Annual Report covers the six month period from 1 July 2015 to 31 December 2015.

The past six months has been a transformational period for Syrah Resources and its shareholders, following the completion of a \$211 million capital raising in August 2015 and commencing the development of the Balama Project in Mozambique.

## BALAMA PROJECT

At the start of this shortened financial year, Syrah had a world class project with a completed feasibility study. Today, the development of the project is well underway with production targeted to commence in early 2017.

In terms of development activities at Balama we have successfully built the foundations for significant construction activities during 2016 by recruiting an experienced and talented team, progressing detailed design, committing to long lead items and commencing works on site including pre-stripping, bulk earthworks, access road construction and camp expansion projects.

With an increase in the level of activity at Balama, the team continues to focuss on strictly adhering to our core value of Working Safely. We have successfully established a strong culture of safety awareness and have progressively implemented leading health and safety standards, management systems and education programs into our daily work schedules.

To deliver the Balama Project, we also recognise the importance of maintaining strong ties with local communities and provincial and national government departments. To this end we are committed to local training and recruitment, local procurement and local economic development. It is satisfying to report that our Company and team in Mozambique has been recognised as a leading example for the delivery of its farmland resettlement program. In addition, we continue to recruit some highly qualified Mozambique employees to join our team.

## SALES AND MARKETING

Graphite is an industrial mineral and we understand that a key success factor in this market is to develop strong relationships with major end users and traders in order to thoroughly understand and meet their specific requirements.

During the financial period, the Company signed a Statement of Sales Intent with a major global refractory producer for 15,000 tpa of flake graphite. Subsequent to year end, a Statement of Sales Intent was signed with Hiller Carbon for between 25,000 tpa and 35,000 tpa of recarburiser, and an offtake finalised with Marubeni for 20,000 tpa of flake graphite.

We believe these agreements validate our sales and marketing strategy, and the Syrah team are continuing to progress and finalise discussions with various other parties globally.

## PROPOSED SPHERICAL GRAPHITE PROJECT

While our primary focus remains on successfully delivering the Balama Project we continue to progress our future growth opportunities including a proposed spherical graphite project in the USA. The growing global trend in the use of lithium ion batteries for energy storage and automotive electrification represents a unique and compelling opportunity for the downstream processing of Balama natural graphite.

To ensure that we position ourselves to become a key supplier to this growing market, we finalised an exclusive licensing agreement with Hairong Morgan for its proprietary spherical graphite coating technology. This will provide us with the capacity to operate an integrated supply chain from mine to battery anode material and is anticipated to provide a significant competitive advantage.

We have also been working extensively with potential customers in order ensure that Balama spherical graphite satisfies their product qualification process. We are pleased to report that our efforts allowed us secure our first spherical graphite offtake and marketing agreements



with Hairong Morgan. This represents a strong vote of confidence for our product in China, which is currently the largest and fastest growing lithium ion battery market in the world.

We continue to receive positive feedback from potential customers and subsequent to year end, a number of major global battery material manufacturers have advised that they have qualified Balama spherical graphite for their automotive customers' requirements. Accordingly, we have finalised a Memorandum of Understanding with Marubeni Corporation to secure spherical graphite offtake agreements with anode and battery producers in Japan and Korea prior to 30 June 2016.

Finally, we would like to take the opportunity to thank shareholders for their continued support and sharing our vision of becoming the leading graphite producer globally. We look forward to the exciting year ahead and the commencement of commissioning at the Balama processing plant in late 2016.



**Tolga Kumova**

Managing Director

31 March 2016



# REVIEW OF OPERATIONS

In August 2015, Syrah successfully completed a fully underwritten \$211 million capital raising which allowed for the development of the Balama Project to commence.

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### CAPITAL RAISING

During August 2015, Syrah successfully completed a fully underwritten capital raising of approximately \$211 million via an institutional placement and a pro rata accelerated renounceable entitlement offer. The proceeds from this capital raising will predominantly be used to fund the development of the Company's Balama Project in Mozambique as well as general and administrative costs and further studies in relation to future potential projects including a potential spherical graphite facility in the United States.

The capital raising consisted of the two components and resulted in the issuance of 64.9 million new shares:

- > Institutional Placement at \$3.25 per share to raise \$98 million; and
- > Pro-rata accelerated renounceable Entitlement Offer to eligible shareholders to subscribed for 4 new Syrah shares for every 19 existing Syrah shares at an offer price of \$3.25 per share to raise \$113 million.

The completion of this capital raising provided an opportunity for a number of new specialist funds and institutions to join the register and sees us funded through to late 2016.

### BALAMA PROJECT

#### Development Activities

With the completion of the capital raising, development and construction activities are now well underway with production targeted to commence in early 2017.

Key development and construction activities for the Balama Project during the period include:

- > Detailed engineering and design
- > Pre-stripping of the Balama West orebody
- > Placed orders for all principal mechanical equipment and long lead items which are now in various stages of manufacture. A power station contract has been awarded for the delivery of a 10 MW facility that will supply power to the processing plant and all other infrastructure
- > Completed bulk earthworks and prepared the processing plant site for the commencement of concrete work in early 2016. The first significant concrete pour will be for the run-of-mine ore silo foundations
- > Substantially completed the construction of a 7km bitumen access road into site
- > Commenced an expansion to the existing accommodation camp at Balama to increase occupancy levels from 70 to 286 people. Progressively upgrading on-site medical facilities which included the refurbishment of a second on-site ambulance
- > Tendered key operational service contracts including laboratory services, product transport, fuel supply and bulk storage contracts
- > Relocated farm lots from the Mining Concession is now substantially complete. This relocation program has been recognised in Mozambique as a leading example as to how such programs should be implemented
- > Progressively recruited key construction and operational staff with a number of positions being awarded to highly qualified Mozambican nationals



▲ Figure 1: Cleared processing plant site at Balama



**DEVELOPMENT AND CONSTRUCTION ACTIVITIES ARE  
NOW WELL UNDERWAY AT BALAMA**



Figure 2: Pre-stripping of  
Balama West orebody



Figure 3: First excavation for  
ore silo foundations

Figure 4: Pouring of floor slab  
for the construction of a larger  
accommodation camp



## SALES AND MARKETING

Syrah's strategy is to partner with major end users or key regional commodity traders to leverage off their existing relationships and distribution channels. A three year offtake agreement with Chalieco for 80,000 tonnes per annum has been signed and a Memorandum of Understanding for the sale of nature flake graphite with Asmet.

During November 2015, Syrah signed a Statement of Sales Intent with one of the world's largest refractory producers. This leading refractory producers intends to purchase up to 15,000 tonnes per annum of natural graphite for its production facilities around the world. Initial concentrate samples have been provided to this party and have satisfied their internal product qualification process. Balama graphite concentrate will be used for refractory bricks and parts for industrial high-temperature processes exceeding 1,200°C.

Subsequent to the year end, Syrah also finalised a three year offtake agreement with Marubeni for 20,000 tonnes per annum. Marubeni will have exclusive rights to import and sell Balama graphite in Japan and Korea (Territory), and product prices will be negotiated on a quarterly basis between the parties with reference to the market prices prevailing in the Territory.

In addition, Syrah also appointed subsequent to year end Antonio Assis as General Manager – Sales and Marketing. Antonio was previously the Worldwide Sales and Marketing Manager for Nacionale de Grafite and has 28 years of international sales and marketing experience. His in depth knowledge of the graphite market and significant industry networks will be invaluable in assisting Syrah with successfully executing its sales and marketing strategies.

## SUSTAINABILITY

### Health and Safety

Working safely at all times is a core value of Syrah and the Company has implemented industry leading health and safety standards and systems of work at the Balama Project. The Balama medical clinic on site, operated by International SOS and licensed in Mozambique, is indicative of these standards and is available to all employees and contractors working on the project. The medical clinic provides primary, occupational and emergency evacuation care supported by a Doctor, an Advanced Life Support Paramedic, and a Nurse.

The Company has implemented a Health and Safety Management System which is being used to monitor and report all health and safety metrics. The management team engages with the workforce to ensure a transparent reporting culture is maintained. There is also a strong emphasis on educating employees to effectively identify hazards in the workplace. A total of 18 incidents were reported during the six month period ended 31 December 2015 with minor hand injuries being the most frequently reported incident type requiring first aid treatment.

### Resettlement Action Plan

During the six month financial period ended 31 December 2015, a total of 201 farms located on the Mining Concession were resettled as part of the Resettlement Action Plan (RAP). These affected farms consisted farming fields only, with no dwellings impacted. A Resettlement Committee was established by the Balama District Government and a Technical Working Group (TWG) was



Figure 5: Ongoing engagement with local communities at Balama

developed consisting of two members from each affected village. The TWG's primary role is to convey grievances to the Resettlement Committee and the Company, and to oversee the clearing and allocation of 697 hectares of resettlement land.

Affected farmers were allocated new farming land, provided seeds for the planting of new crops and received compensation for the loss of their original farms as well as associated economic trees and structures. A Compensation Desk consisting of representatives from Syrah, the Mozambican government, civil society, the Resettlement Committee and community leaders was established to ensure all compensation payments were administered in accordance with legal requirements.

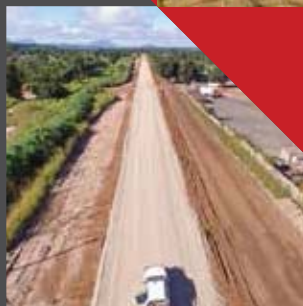
Due to Syrah's strong relationship with the local communities and associated key stakeholders, the Company was able to complete all planned RAP activities prior to the planting season. This has resulted in minimal disruption to the local food supply and will ensure that construction activities commence on schedule.

The RAP Program has been and remains recognised as a leading example of industry best practice in Mozambique.



Figure 6: Traditional ceremony performed prior to the clearing of resettlement land

Figure 7: Refurbished ambulances





# REVIEW OF OPERATIONS CONTINUED

SYRAH IS COMMITTED TO THE  
DEVELOPMENT OF THE LOCAL  
COMMUNITIES SURROUNDING  
AT THE BALAMA PROJECT

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## SUSTAINABILITY (CONTINUED)

### Community Development

Syrah is committed to the development of the local communities surrounding the Balama Project. The Company has identified eight communities that are the focus of all community development and local employment initiatives. During the period, numerous projects were completed including:

- > Several solar powered water supply systems were constructed and commissioned
- > Solar panels were installed at a number of schools and at a medical clinic
- > Mechanical water boreholes were constructed and commissioned.

Syrah is also committed to the employment and development of people residing in the local communities and ensuring that Mozambique employees occupy key leadership roles across the business. Currently, Mozambique employees hold senior roles in the following disciplines: General Management, Social and Environment; Finance; Public Affairs, Procurement; Health & Safety and Human Resources.



Figure 9: Mechanical water boreholes



Figure 8: Water supply systems

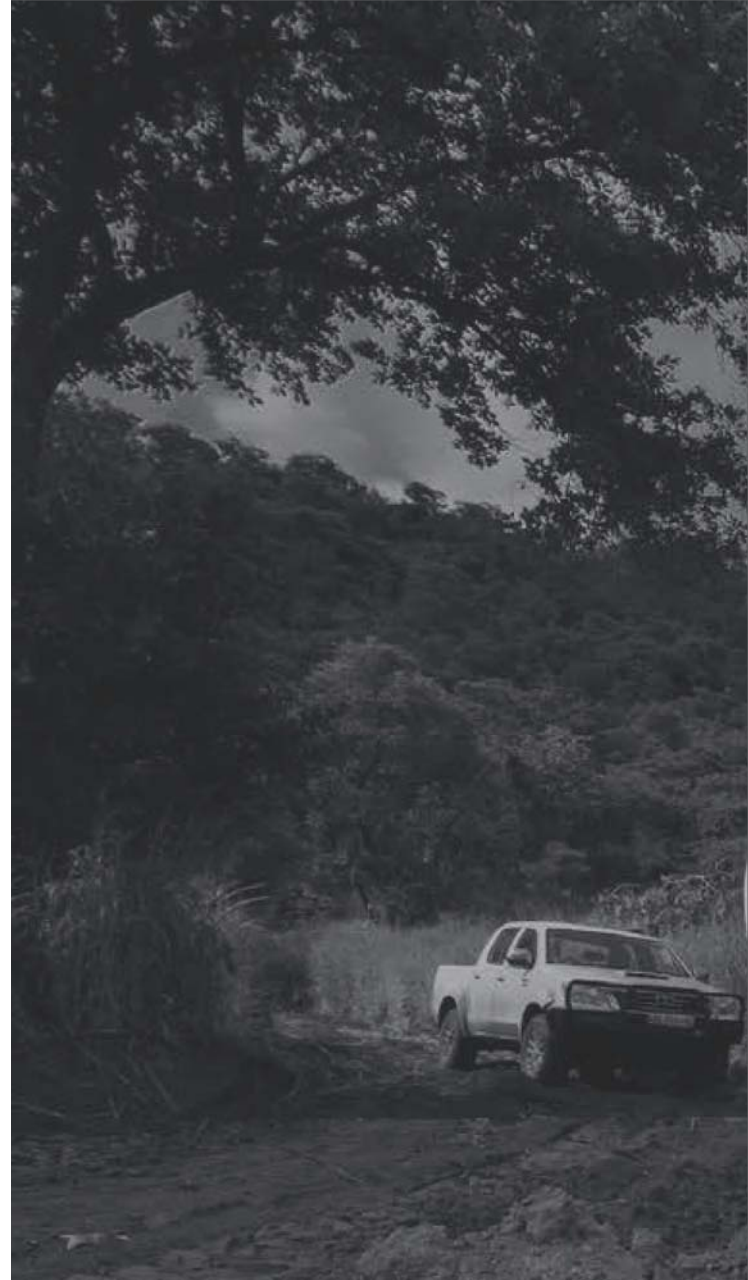
## SUSTAINABILITY (CONTINUED)

### Environment

Syrah has successfully obtained its Environmental License and is in the process of implementing an Environmental Monitoring Program in line with licence requirements. A number of baseline monitoring programs have commenced to measure surface and ground water quality, ambient noise, dust levels, geo-hydrology and background radiation. Air quality monitoring, ichthyofaunal and terrestrial fauna surveys will commence in 2016.

During December 2015, Syrah's inaugural Annual Environmental Management Report was submitted to the Ministry of Land, Environment & Rural Development (MITADER) in Maputo, Mozambique.

Figure 10: Installation of dust bucket at Balama





**SYRAH IS COMMITTED TO THE ENVIROMENT AND  
IS IMPLEMENTING AN ENVIRONMENTAL MONITORING  
PROGRAM IN LINE WITH LICENCE REQUIREMENTS**

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## GRAPHITE MINERAL RESOURCES AND ORE RESERVES ESTIMATE

A JORC Code (2012 edition) compliant Mineral Resource estimate using a 3% TGC cut-off (constrained within a pit shell) has been determined by Snowden Mining Industry Consultants (Snowden) as shown in the following table.

CLASSIFICATION	TONNES (MT)	DENSITY (T/M3)	TGC (%)	CONTAINED GRAPHITE (MT)
<b>Balama West</b>				
Measured	75.0	2.5	11.0	8.4
Indicated	110.0	2.6	8.1	9.1
Inferred	460.0	2.7	11.0	51.0
<b>Balama East</b>				
Indicated	76.0	2.6	14.0	11.0
Inferred	470.0	2.7	10.0	49.0
<b>TOTAL</b>				
Measured	75.0	2.5	11.0	8.4
Indicated	186.0	2.6	11.0	20.1
Inferred	930.0	2.7	11.0	100.0

Table 1 – Mineral Resource estimate at 3% TGC cut-off grade (constrained within a pit shell)

The Proved and Probable Ore Reserve estimated by Snowden is based on, and inclusive of, the above Measured and Indicated Mineral Resources only, as Inferred Mineral Resources are not sufficiently reliable to be used in Ore Reserve estimates.

The Balama Project currently hosts a combined Proved and Probable Reserve of 81.4 Mt at an average grade of 16.2% TGC (using a 9% TGC cut-off grade) as shown in the following table. This reserve constitutes 13.2 Mt of contained flake graphite. Snowden notes that the deposit is open along strike at both Balama East and Balama West, to the south as well as at depth.

CLASSIFICATION	ORE (MT)	TGC (%)	CONTAINED GRAPHITE (MT)
<b>Balama West</b>			
Proved	20.0	19.2	3.8
Probable	2.6	17.5	0.4
<b>SUB TOTAL</b>	22.5	19.0	4.3
<b>Balama East</b>			
Probable	58.8	15.1	8.9
<b>SUB TOTAL</b>	58.8	15.1	8.9
<b>TOTAL</b>			
Proved	20.0	19.2	3.8
Probable	61.4	15.2	9.3
	<b>81.4</b>	<b>16.2</b>	<b>13.2</b>

Table 2 – Ore Reserve estimate at 9% TGC cut-off grade

A detailed statement of the Mineral Resources and Ore Reserves for the Balama Project can be found in ASX announcement by the company dated 29 May 2015.



## Competent Person's Statement

*The information in this annual report that relates to Mineral Resources and Ore Reserves is extracted from the report titled "Syrah finalises Balama Graphite study and declares maiden ore reserve" released to the ASX on 29 May 2015 and available to view at [www.syrahresources.com.au](http://www.syrahresources.com.au)*

*and for which Competent Person's consents were obtained. The Competent Person's consent remain in place for subsequent releases by the Company of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent.*

*The Company confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcement released on 29 May 2015, and in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates ion the original ASX announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original ASX announcement.*

*Full details are contained in the ASX release dated 29 May 2015 "Syrah finalises Balama Graphite study and declares maiden ore reserve" available at [www.syrahresources.com.au](http://www.syrahresources.com.au).*



## PROPOSED SPHERICAL GRAPHITE PROJECT

Further downstream processing of graphite concentrate presents a major potential opportunity to accrue additional value for shareholders. Spherical graphite is a high value, processed graphite product which is used to manufacture anodes for lithium ion batteries. As a result of increasing demand from electric vehicle and grid storage applications, the lithium ion battery market is expected to see significant growth over the medium term.

Syrah continues to advance its spherical graphite development with the achievement of several significant milestones during the period. The Company has completed an Internal Economic Assessment on a Proposed Spherical Graphite Facility in the United States which showed encouraging indicative results. Subsequent to year end, detailed work has commenced on the technical aspects of the Proposed Graphite Facility as well as due diligence on the regulatory approvals in the United States.

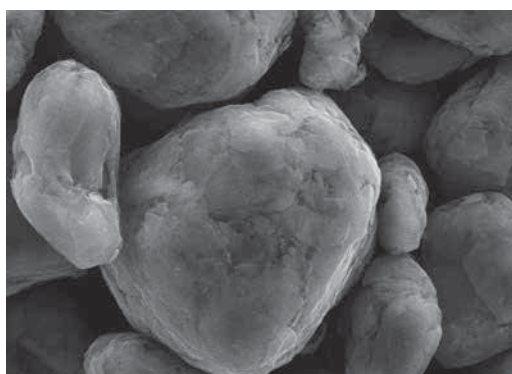


Figure 11: Purified, coated Balama spherical graphite

## Technology Licensing Agreement

During November 2015, Syrah signed a 20 year technology licensing agreement with Morgan Hairong which grants Syrah the exclusive right to use its proprietary spherical graphite coating technology globally (excluding China) in any potential Spherical Graphite Project developed by Syrah. Morgan Hairong is a leading coated spherical graphite producer in China, with customers that include the largest and fastest growing battery producers in the country. The company has been working closely with Syrah in regards to its spherical graphite development for over 10 months.

As consideration, the Company will issue Hairong Morgan with US\$968,000 of fully paid ordinary shares to be issued in two tranches. The first tranche was issued during December 2015 and the second tranche will be issued when the parties agreeing that Syrah is ready to begin commercial production of natural spherical graphite

product. Morgan Hairong will also be entitled to a royalty on all future gross sales of coated spherical graphite by the Company.

The technology licensing agreement represents a key milestone in Syrah's spherical graphite development by providing the Company with the capability of operating an integrated supply chain from mine to battery anode material. It should also provide Syrah with a significant competitive advantage in securing offtake agreements with lithium ion battery producers.

## Sales and Marketing

### Hairong Morgan – Product Sales and Marketing Agreement

In addition to the technology licensing agreement, Syrah also signed its first spherical graphite Product Sales Agreement and Marketing Agreement with Hairong Morgan. Morgan Hairong has plans for a significant expansion in production capability in order to satisfy the expected future growth in demand for coated spherical graphite. The company has the capability to supply coated spherical graphite for a wide range of lithium ion battery applications including electric vehicles, grid storage and consumer electronics.

The Product Sales Agreement has a duration of three years and will be for 2,000 tpa of uncoated spherical graphite. Morgan Hairong intends to coat Balama spherical graphite at its facility for sale domestically in China. Prices will be negotiated quarterly between Syrah and Morgan Hairong based on market prices which have prevailed in China during the preceding three months.

The Marketing Agreement has a duration of three years and will be for a total of 7,000 tpa (consisting of 5,000 tpa of uncoated spherical graphite and 2,000 tpa of coated spherical graphite). Under this agreement, Morgan Hairong will market Balama spherical graphite to lithium ion battery producers headquartered in China. Morgan Hairong will also receive a commission based on the gross sales price of the Balama spherical graphite that it markets.

### Hiller Carbon – Statement of Sales Intent

Subsequent to the year end, Syrah also finalised a Statement of Sales Intent with Hiller Carbon, a leading supplier of raw materials to North American electric arc furnace (EAF) steel producers and other industrial customers.

Hiller Carbon intends to purchase between 25,000 tonnes and up to 35,000 tonnes of Balama recarburiser per annum for resale. Both parties expect that these volumes will continue to grow over time. Hiller Carbon will be granted exclusive rights to sell Balama recarburiser in the United States, Canada and Mexico. The parties will work together towards a binding agreement as development of the Balama Project advances.

This agreement supports Syrah's belief that Balama natural graphite is an ideal product for the EAF steel industry, which requires a high quality carbon additive with low impurities. In addition, this agreement is also highly synergistic with Syrah's Proposed Spherical Graphite Facility in the United States, which will produce recarburiser manufactured specifically to exacting standards to exacting standards of EAF steel customers. The ability to access the North American recarburiser market will create another revenue stream for the Proposed Spherical Graphite Facility.



Figure 12: High quality, low impurity Balama natural graphite recarburiser (each approximately 5mm long)

### Marubeni – Memorandum of Understanding

Subsequent to the year end, Syrah was advised by a number of major global battery material manufacturers that it has qualified Balama spherical graphite for automotive customers' requirements. The Company has signed a new Memorandum of Understanding for Marubeni Corporation to secure spherical graphite offtake agreements with anode and battery producers in the Territory prior to 30 June 2016.



## BALAMA VANADIUM PROJECT

In addition to Balama Project's substantial graphite Ore Reserves, the deposit also hosts a significant vanadium resource. The Company has completed a Scoping Study on the Balama Vanadium Project which demonstrated the viability of the project.

Due to the technical and processing requirements of vanadium, which is more complex than graphite, Syrah will only develop Balama's vanadium resource after graphite production has commenced. Pilot plant work is currently ongoing in preparation for future feasibility studies and 50 kg of 99% and 99.9%  $V_2O_5$  has been produced to provide samples for potential customers around the world.

### Vanadium Mineral Resources Estimate

A JORC Code (2004 edition) compliant Mineral Resource estimate using a 5% TGC cut-off has been estimated by The MSA Group Pty Ltd as shown in the following table.

CLASSIFICATION	TONNES (MT)	$V_2O_5$ (%)	CONTAINED $V_2O_5$ (MT)
<b>Balama West</b>			
Inferred	568	0.21	1.17
<b>Balama East</b>			
Inferred	579	0.26	1.49
<b>TOTAL</b>			
Inferred	1,150	0.24	2.70
	<b>1,150</b>	<b>0.24</b>	<b>2.70</b>

Table 3 – Mineral Resource estimate at 5% TGC cut-off grade

A detailed statement of the Vanadium Mineral Resources for the Balama Project can be found in ASX announcements by the Company dated 23 January 2013 and 27 May 2013.

### Competent Person's Statement

*The information in this annual report as it relates to geological, geochemical and geophysical exploration results was compiled by Mr Grant McLatchie MAIG, who is a Competent Person pursuant to the requirements of ASX Listing Rules and the JORC Code (2012) and a Member of the Australian Institute of Geoscientists. Mr McLatchie has more than 20 years of experience in the activities being reported on and has sufficient expertise which is relevant to the style of mineralisation and type of deposit under consideration. He consents to the inclusion of this information and context in which it appears in this presentation.*

*The information in this annual report as it relates to mineral processing and metallurgical testing was compiled by Mr Michael T.N. Chan, MAusIMM, who is a Competent Person and General Manager of Project Development at Syrah Resources Ltd and a Member of the Australian Institute of Mining and Metallurgy. Mr Chan has more than 20 years of experience in the activities being reported on and has sufficient expertise which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Chan consents to the inclusion of this information in the form and context in which it appears in this presentation.*





# DIRECTORS' REPORT

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SYRAH RESOURCES > ANNUAL REPORT 2015

The Directors present their report on Syrah Resources Limited ("Syrah", "the Group", "the Company" or "the consolidated entity"), consisting of Syrah and the entities it controlled at the end of, or during, the six month period ended 31 December 2015.

The Board of Directors resolved to change the Company's financial year end from 30 June to 31 December effective from 1 July 2015. This change was made to align the Company's financial year end with that of its wholly owned subsidiary, Twigg Exploration and Mining Limited, which holds the Balama Graphite and Vanadium Project in Mozambique. This change means that the current reporting period is a six month transitional financial period beginning on 1 July 2015 and ending on 31 December 2015. Future financial periods will then revert to a twelve month financial year, commencing on 1 January and ending on 31 December.

## DIRECTORS

The following persons were directors of Syrah Resources Limited during the six month financial period and up to the date of this report, unless otherwise stated:

James Askew	Non-Executive Chairman
Tolga Kumova	Managing Director
Sam Riggall	Non-Executive Director
Rhett Brans	Non-Executive Director
Jose Caldeira	Non-Executive Director

## INFORMATION ON DIRECTORS

The information on Directors in office as at the date of this report is as follows:



### James Askew, *Non-Executive Chairman*

#### Experience and expertise

Mr Askew is a mining engineer with over 40 years of broad international experience as a Director and Chief Executive Officer for a wide range of Australian and international publicly listed mining, mining finance and other mining related companies. He has had a continuous involvement with the African mining industry since 1985.

#### Other current directorships

Chairman of OceanaGold Limited  
Chairman of Asia Minerals Resources Limited  
Non-Executive Director of Evolution Mining Limited  
Non-Executive Director of Nevada Copper Corporation

#### Former directorships in last 3 years

Non-Executive Director of Inova Resources Limited (formerly Ivanhoe Australia Limited)  
Non-Executive Director of Golden Star Resources Limited  
Non-Executive Chairman of PMI Gold Limited

#### Special responsibilities

Member of the Audit, Financial Risk and Compliance Committee  
Member of the Remuneration and Nomination Committee

#### Interest in shares and options

Ordinary shares – SYR –  
Options over Ordinary Shares – SYR 600,000

**Length of service** 1 year and 5 months



### **Tolga Kumova, *Managing Director***

#### **Experience and expertise**

Mr Kumova is one of the founding shareholders of Jacana Resources Pty Ltd, which held the Balama Graphite and other projects subsequently vended into Syrah in late 2011. He has 15 years of experience in financial markets, corporate advisory and stockbroking.

**Other current directorships** None

**Former directorships in last 3 years** None

**Special responsibilities** Managing Director

#### **Interest in shares, rights and options**

Ordinary Shares – SYR 14,522,215

Options over Ordinary Shares – SYR 2,000,000

**Length of service** 2 years and 10 months



### **Sam Riggall, *Non-Executive Director***

#### **Experience and expertise**

Mr Riggall was previously Executive Vice-President of Business Development and Strategic Planning at Ivanhoe Mines Limited. Prior to that he worked in a variety of roles in Rio Tinto Limited for over a decade covering industrial minerals, project generation and evaluation, business development and capital market transactions.

#### **Other current directorships**

Chairman and Chief Executive Officer of CleanTeq Holdings Limited

**Former directorships in last 3 years** None

#### **Special responsibilities**

Chairman of the Audit, Financial Risk and Compliance Committee

Member of the Remuneration and Nomination Committee

#### **Interest in shares, rights and options**

Ordinary shares – SYR –

Options over ordinary shares – SYR 400,000

**Length of service** 1 year and 5 months



### **Rhett Brans, *Non-Executive Director***

#### **Experience and expertise**

Mr Brans has over 40 years of experience in the design and construction of mineral treatment facilities. His experience extends across the full spectrum of development activities, ranging from mining feasibility studies through to commissioning operations. He has also managed the development of several gold and base metal projects.

#### **Other current directorships**

Non-Executive Director of Carnavale Resources Limited

Non-Executive Director of RMG Limited

Non-Executive Director of Monument Mining Limited

#### **Former directorships in last 3 years**

Executive Director of Persus Mining Limited

#### **Special responsibilities**

Chairman of the Remuneration and Nomination Committee

Member of the Audit, Financial Risk and Compliance Committee

#### **Interest in shares, rights and options**

Ordinary shares – SYR –

Options over ordinary shares – SYR 650,000

**Length of service** 2 years and 9 months



### **José Caldeira, *Non-Executive Director***

#### **Experience and expertise**

Mr Caldeira is a highly experienced legal and regulatory professional with over 25 years experience in the legal industry. He is one of the prominent lawyers in Mozambique. He is currently a senior partner at Sal & Caldeira Advogados, Lda in Mozambique, one of the leading law firms in Mozambique.

**Other current directorships** None

**Former directorships in last 3 years** None

**Special responsibilities** None

#### **Interest in shares, rights and options**

Ordinary shares – SYR –

Options over Ordinary Shares – SYR 400,000

**Length of service** 1 year and 7 months



'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships in the last 3 years' quoted above are directorships held in the last three years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

## COMPANY SECRETARY

Melanie Leydin has over 25 years experience in the accounting profession and is a Director and Company Secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer specialising in outsourced company secretarial and financial duties for the resources and biotechnology sectors.

## PRINCIPAL ACTIVITIES

The principal continuing activities of the consolidated entity consisted of:

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

## DIVIDENDS

There were no dividends paid, recommended or declared during the current financial period or previous financial year.

## REVIEW OF OPERATIONS

Information on the operations of the group is set out on pages 8 to 22 of this annual report.

### Operating and Financial Review

#### Statement of comprehensive income

The loss for the consolidated entity after providing for income tax amounted to \$3.3 million during the six month financial period ended 31 December 2015 (12 month period to 30 June 2015 loss: \$11.6 million). The loss for the year comprised mainly of corporate office, compliance and employee benefits expenses.

During the period there was an increase in general business activities following the successful completion of a fully underwritten \$211 million capital raising during August 2015 and the commencement of the development and construction of the Balama Graphite Project in Mozambique.

The loss for the period included a net foreign exchange gain of \$6.0 million (12 month period to 30 June 2015: \$0.9 million) associated with proceeds from the equity raising that were transferred into United States Dollars to fund the development expenditure for the Balama Graphite Project.

Non-cash items of expenditure included share-based payment expenditures of \$4.2 million (12 month period to 30 June 2015: \$5.7 million) associated with issuance of shares, options and performance rights to directors, executives and selected senior employees; and impairment charges of \$1.2 million (12 month period to 30 June 2015: \$0.1 million) comprising a loss on mobile equipment (\$1.1 million) that is no longer expected to be used to the extent originally planned, and on available-for-sale financial assets (\$0.1 million) associated with a decline in the fair value of shares held in Strandline Resources Limited.

The consolidated entity also made a non-cash loss of \$7.1 million recognised in other comprehensive income during the six month period ended 31 December 2015 (12 months to 30 June: \$0.3 million gain) on translation of foreign subsidiaries, specifically Syrah Resources and Trading DMCC and Twigg Exploration and Mining Limitada.

#### Statement of financial position

The net assets of the consolidated entity increased during the six month period ended 31 December 2015 to \$253.2 million (30 June 2014: \$56.4 million) principally as a result of the successful completion of a fully underwritten A\$211 million capital raising in August 2015 by way of the following:

- > Institutional placement at \$3.25 per share which raised \$97.5 million; and
- > Pro-rata accelerated renounceable Entitlement Offer to eligible shareholders to subscribe for 4 new Syrah shares for every 19 existing Syrah shares at an offer price of \$3.25 per share which raised \$113.3 million

The consolidated entity's cash and cash equivalents were \$191.6 million as at 31 December 2015 (30 June 2014: \$8.9 million) and working capital, being current assets less current liabilities, was \$188.1 million (30 June 2014: \$8.6 million).

The completion of the capital raising allowed the development and construction of the Balama Graphite Project in Mozambique to commence, resulting in project expenditures of \$19.8 million and further commitments of \$44.7 million being made during the six month period ended 31 December 2015. These investments have allowed for a number of key achievements and set the foundations for the successful development and construction of the Balama Project during 2016, including:

- > Commencement of detailed engineering and design
- > Placement of orders for all principal mechanical equipment and long lead items which are all now in the various stages of final design and manufacture
- > Completion of bulk earthworks at the processing plant site and significant progress on the construction of the main access road into site
- > Commencement of an expansion to the existing accommodation camp at Balama
- > Commencement of pre-stripping of the Balama West orebody

## Statement of cash flows

### Cash flow from operating activities

Net cash flows used in operating activities were \$3.7 million during the six month period ended 31 December 2015 (12 month period to 30 June 2015: \$6.1 million) and principally consisted of corporate office, compliance and employee benefits expenses. Interest received during the period was \$0.2 million and is increasing as a result of an increase in cash and cash equivalents following the successful capital raising in August 2015.

### Cash flow from investing activities

Net cash flows used in investing activities were \$16.2 million during the six month period ended 31 December 2015 (12 month period to 30 June 2015: \$18.0 million) and principally consisted of development and construction works for the Balama Graphite Project.

### Cash flow from financing activities

Net cash inflows from financing activities were \$202.2 million during the six month period ended 31 December 2015 (12 month period to 30 June 2015: \$4.3 million) and principally consisted of proceeds received from the successful capital raising, net of costs, in August 2015.

## Future Outlook

The likely developments and outlook in the operations of the Group in future financial years include:

### Project Development

- > Continue with the development and construction of the Balama Graphite Project, targeting to commence commissioning in early 2017
- > Conduct further technical work and due diligence for a spherical graphite facility in the United States
- > Progress offtake discussions and arrangements with targeted customers and end-users of natural flake and spherical graphite products

### Exploration and Evaluation

- > Further evaluate the vanadium project at Balama, and conduct exploration and evaluation activities on other tenements as required

## Material Business Risks

The Group continues to assess and manage various business risks that could impact the Group's operating and financial performance and its ability to successfully deliver strategic priorities. The material business risks that may have an impact on the Group include:

### Commodity price risk and movements in foreign exchange rates

The Group's operational and financial performance, as well as the economic viability of its projects, are heavily reliant on the prevailing global price of graphite products and the US dollar and Mozambique metical foreign exchange rates. Volatility in commodity and financial markets may therefore materially affect profitability and financial performance and requires careful management to ensure the ability of the group to successfully deliver its strategic priorities.

In addition, any sustained low global price for graphite products can also impact operations by requiring a reassessment of an exploration or development project and possibly limiting the Company's ability to fund its planned capital expenditure commitments and exploration and evaluation activities.

### Mineral Resources and Ore Reserves

The JORC Code (2012 Edition) compliant statements relating to Ore Reserves and Mineral Resources are estimates only. An estimate is an expression of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available.

In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. This may result in alterations to development and mining plans or changes to the quality or quantity of Ore Reserves and Mineral Resources which may, in turn, adversely affect operations and financial results.

No assurance can be given that the anticipated tonnages or grade of minerals will be achieved during exploration or production or that the indicated level of recovery rates will be realised. Additionally, material price fluctuations, as well as increased anticipated production costs or reduced anticipated recovery rates, may render any potential mineral resources or reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such resource or reserve.

### **Funding risk**

The Company is expected to require additional financing, in addition to that achieved money raised under the capital raising during August 2015, to meet its project development and working capital requirements, general and administrative expenditure and studies relating to future potential projects.

While the Directors believe the Company has a number of alternatives to raise the necessary funding (which may include both debt and equity sources of funding), there can be no guarantee that Syrah will be able to raise sufficient funding on acceptable terms or at all. An inability to obtain finance on acceptable terms or at all may cause substantial delays in, or prevent, the construction and development of the Balama Project and/or the pursuit of future potential projects.

### **Counterparty risk**

The Company has entered into an offtake agreement with Chalieco. Under this agreement Chalieco's payment obligations are subject to the satisfaction of certain conditions precedent; including requiring Syrah to give a notice of intended commercial production, and requiring the parties to execute a written agreement in respect of any matters arising after the date of the agreement which the parties consider necessary to give effect to the terms and principles set out in the agreement.

The Company is also in discussions with a number of parties in relation to additional offtake agreements for the Balama Project. While some of these discussions are well progressed and taking place under non-binding memoranda of understanding, there is no guarantee that they will result in the execution of formal offtake agreements on acceptable terms or at all. There is also no guarantee that the conditions precedent under the offtake agreement with Chalieco will be satisfied. Failure to achieve any of these outcomes would adversely impact the Group's revenue and profitability.

## **Development of Balama Project and Construction Risk**

The Group has commenced the development of the Balama Graphite Project. The development of any resources project comes with inherent risks, such as the risks associated with construction of a mineral processing plant and associated infrastructure, the processing and separation of heavy mineral concentrate and other construction and production related activities. There is no guarantee that anticipated or forecast timeframes or the anticipated production profile of the Balama Project will be met.

The construction of the Balama Project may be impacted by risks associated with the performance of a large-scale construction project, including but not limited to weather, availability of materials, availability of skilled and experienced workers and contractors, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment.

### **Health and safety**

Health and safety regulations affect the Company's activities. Exploration and mining are potentially hazardous activities. If any injuries or accidents occur in a mine for example, this could have financial implications for the Company including potential delays or stoppages in construction or mining activities.

### **Remote operating environment**

Due to the remoteness of the Balama Graphite Project, the Company is subject to an increased number of risks, which include a lack of access to key infrastructure, unexpected transportation and fuel costs, unexpected delays and accidents that could, singly or collectively, materially negatively impact upon the Company's financial performance and position. Any prolonged interruption to access to key infrastructure could have significant adverse effects on the Company's ability to sell product and therefore generate revenue.

## **Environmental and other regulatory approvals**

Environmental regulation in the jurisdictions in which the Company has operations impose significant obligations on companies that conduct the exploration for and mining of commodities. The Company must comply with all known standards, existing laws, and regulations in each case which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how the regulations are administered by the local authorities. In addition, changes in environmental laws and regulations or their interpretation or enforcement may adversely affect the Company's operations, including the potential profitability of its operations.



The maintaining of tenements, obtaining renewals, or the grant of tenements or permits (including for both construction and mining operations) depends on the Company being successful in obtaining statutory approvals for its proposed activities. While the Company anticipates that all regulatory approvals will be given as and when sought, there can be no assurance that such renewals or approvals will be given as a matter of course and there is no assurance that new conditions or unexpected conditions will not be imposed.

### **Sovereign risk**

The Company operations could be adversely affected by government actions in Mozambique or other countries or jurisdictions in which it has operational exposures or investment or exploration interests. The Company's businesses are subject, in each of the countries in which it operates, to various national and local laws and regulations relating to, among other things, construction and mining exploration activities. A change in the laws which apply to Company's businesses or the way in which they are regulated could have a material adverse effect on the carrying value of material assets or otherwise have a material adverse effect on the Company's businesses and financial condition.

### **Risk Management**

The Company manages the risks listed above and other day-to-day risks using risk reporting and control mechanisms which are designed to ensure strategic, operational, legal, financial, reputational and other risks are identified, assessed and appropriately managed on an ongoing basis.

The Executive Management team, the Audit, Financial Risk and Compliance Committee and the Board regularly review the Group's risks and the effectiveness of the Company's management of those risks.

## **Significant Changes in State of Affairs**

There were no other significant changes in the nature of activities or the state of affairs during the current financial period other than those included in the Operating and Financial Review.

## **Matters Subsequent to the End of the Financial Year**

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## **Likely Developments and Expected Results of Operations**

Commentary on likely developments and expected results of operations is set out in the Operating and Financial Review.

## **Environmental Regulation**

Syrah's holdings are subject to environmental regulations in the jurisdictions in which it operates; these include Mozambique, Australia, Zambia and Botswana. Within each jurisdiction the granting of mining and/or exploration tenements require the holder to comply with the terms of the grant of the tenement and all directions given to it under those terms. There have been no known breaches of tenement conditions in any jurisdiction in which the Company operates and no such breaches have been notified by any Government agency for the period ended 31 December 2015.

During April 2015, Twigg Exploration and Mining Limitada was granted an Environmental Licence (5 year period and renewable) for the Balama Project. The regulations with which the Company must comply are set out in Mozambican Environmental Law No 20/97 and the Environmental Impact Study submitted by the Company and signed off by the Mozambican Government. These requirements include mitigation measures and monitoring programs outlined by the study to comply with relevant laws and regulations. The Company has employed an Environmental Manager to ensure all programs and measures are implemented appropriately and that the Company complies with all regulatory requirements under the law.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the six month period ended 31 December 2015, and the number of meetings attended by each Director was:

NAME	BOARD MEETINGS		COMMITTEE MEETINGS			
			AUDIT, FINANCIAL RISK AND COMPLIANCE COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	A	B	A	B	A	B
J Askew	5	5	2	2	2	2
T Kumova	5	5	-	-	-	-
S Riggall	5	5	2	2	2	2
R Brans	5	5	2	2	2	2
J Caldeira	3	5	-	-	-	-

<sup>(A)</sup> Number of meetings attended.

<sup>(B)</sup> Number of meetings held during the time the Director held office or was a member of the committee during the six month period ended 31 December 2015.

## INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

The relevant interest of each Director in the share capital and options of the Company as at the date of this report is:

NAME	FULLY PAID ORDINARY SHARES	SHARE OPTIONS
J Askew	-	600,000 <sup>(1)</sup>
T Kumova	14,522,215 <sup>(3)</sup>	2,000,000 <sup>(2) (3)</sup>
S Riggall	-	400,000 <sup>(4)</sup>
R Brans	-	650,000 <sup>(5)</sup>
J Caldeira	-	400,000 <sup>(6)</sup>

<sup>(1)</sup> 600,000 unlisted options exercisable at \$4.71 and expiring 30 November 2018.

<sup>(2)</sup> 2,000,000 unlisted options exercisable at \$6.26 and expiring 2 October 2019.

<sup>(3)</sup> The Board of Directors has resolved to issue T Kumova with 142,745 shares and 1,000,000 unlisted options exercisable at \$4.58 and expiring three years from the date of grant. The issuance of these shares and options remain subject to shareholder approval and they are therefore not included in the above schedule of relevant interests.

<sup>(4)</sup> 400,000 unlisted options exercisable at \$4.71 and expiring 30 November 2018.

<sup>(5)</sup> 250,000 unlisted options exercisable at \$2.81 and expiring 12 June 2016 and 400,000 unlisted options exercisable at \$6.26 and expiring on 2 October 2019.

<sup>(6)</sup> 400,000 unlisted options exercisable at \$6.26 and expiring 2 October 2019.

## REMUNERATION REPORT

The Remuneration Report contains details of remuneration paid to the Non-Executive Directors, Executive Directors and Key Management Personnel ("KMP") of the Group as well as the remuneration strategy and policies that were applicable in the six month financial period ended 31 December 2015.

The remuneration report is structured as follows:

- a) **Remuneration Governance**
- b) **Director and Key Management Personnel Details**
- c) **Remuneration Strategy and Philosophy**
- d) **Remuneration Components**
- e) **Details of Remuneration Expenses**
- f) **Executive Service Agreements**
- g) **Terms and Conditions of Share-Based Payment Arrangements**
- h) **Director and Key Management Personnel Equity Holdings**
- i) **Other transactions with Directors and Key Management Personnel**
- j) **Additional information**

## a) Remuneration Governance

### Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee consisting solely of Non-Executive Directors to assist the Board in achieving its objectives in relation to the following:

- > having a Board of Directors of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- > having coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- > observing those remuneration policies and practices;
- > fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executives and industry remuneration conditions;
- > the preparation of the Remuneration Report to be included in the Company's Annual Report; and
- > communicating the Company's remuneration policy to shareholders and any proposed changes to that remuneration policy and the Committee's work on behalf of the Board.

The Remuneration and Nomination Committee is comprised of Rhett Brans (Committee Chairperson); James Askew and Sam Riggall.

## b) Director and Key Management Personnel Details

### Directors

The following persons were directors of Syrah Resources Limited during the six month period ended 31 December 2015 and up to the date of this report, unless otherwise stated:

EXECUTIVE AND NON-EXECUTIVE DIRECTORS	
NAME	POSITION
James Askew	Non-Executive Chairman
Tolga Kumova	Managing Director
Sam Riggall	Non-Executive Director
Rhett Brans	Non-Executive Director
Jose Caldeira	Non-Executive Director



## Key Management Personnel

The following persons were Key Management Personnel of Syrah Resources Limited during the six month period ended 31 December 2015 and up to the date of this report, unless otherwise stated:

KEY MANAGEMENT PERSONNEL	
NAME	POSITION
Darrin Strange	Chief Operating Officer
David Corr	Chief Financial Officer

## c) Remuneration Strategy and Philosophy

### Non-Executive Director Remuneration

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to Non-Executive Directors and annually reviews their remuneration taking into account comparable roles, comparative market data and, if required, the advice of independent remuneration consultants.

### Executive Remuneration

The Board in consultation with the Remuneration and Nomination Committee, reviews the Company's Executive Remuneration Strategy annually to ensure that the executive remuneration framework remains appropriate and aligned to the business needs.

The Board aims to ensure the Company's Remuneration Practices are performance based and designed to:

- > Motivate executives to pursue the Group's long term growth and success; and
- > Demonstrate a clear relationship between the Group's overall performance and the performance of executives.

### Remuneration Consultants

The Company engages the services of independent and specialist remuneration consultants from time to time to provide recommendations on the remuneration of Directors and Key Management Personnel. During the six month financial period ended 31 December 2015 the Company did not engage the services of independent and specialist remuneration consultants for Directors or Key Management Personnel (30 June 2015: NIL).

## d) Remuneration Components

### Non-Executive Director Fees

Non-Executive Directors receive a Board fee and do not receive additional fees for chairing or participating on Board Committees. Except for participation in the Share Option Plan or Long Term Incentive Plan, Non-Executive Directors do not receive performance-based pay or retirement allowances.

The annual Non-Executive Director remuneration packages (inclusive of superannuation contribution amounts where applicable) for the six month financial period ended 31 December 2015 were as follows:

NAME	POSITION	ANNUAL FEES
J Askew	Non-Executive Chairman	\$142,350
S Riggall	Non-Executive Director	\$93,075
R Brans	Non-Executive Director	\$93,075
J Caldeira	Non-Executive Director	\$93,075

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically reviewed for adequacy. Any increase to the aggregate Directors' fee pool is submitted to shareholders for approval. The maximum currently stands at \$750,000 per annum and was approved by shareholders at the Annual General Meeting on 13 November 2015.

All Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter of appointment summarises the Board policies and terms, including remuneration, relevant to the office of director of the Company.

To align the Non-Executive Directors' interests with shareholder interests, the Non-Executive Directors are able to participate in the Share Option Plan and Long Term Incentive Plan.

## Executive remuneration

The Company's remuneration policy for Executives incorporates a Total Fixed Remuneration ("TFR") component and 'at risk' performance based short term incentive ('STI') and long term incentive ('LTI') based components.

The following table sets out the relative mix of fixed and performance related remuneration for Executive Directors and Key Management Personnel for the current and prior financial period:

NAME	TOTAL FIXED REMUNERATION		AT RISK REMUNERATION			
			STI		LTI <sup>(3)</sup>	
	DEC-2015	JUN-2015	DEC-2015	JUN-2015	DEC-2015	JUN-2015
<b>Executive Directors</b>						
T Kumova <sup>(1)</sup>	100%	100%	-	-	-	-
P Kehoe <sup>(2)</sup>	-	100%	-	-	-	-
<b>Key Management Personnel</b>						
D Strange	61%	61%	11%	11%	28%	28%
D Corr	61%	61%	11%	11%	28%	28%

<sup>(1)</sup> T Kumova did not participate in the group's 'at risk' remuneration plans for the year ended 31 December 2015.

<sup>(2)</sup> P Kehoe resigned as Managing Director of the Company on 2 October 2014.

<sup>(3)</sup> The Company's Long Term Incentive Plan was approved by shareholders at the Annual General Meeting on 13 November 2015 allowing for performance rights to be issued to D Strange and D Corr for the year ended 31 December 2015.

## Total Fixed Remuneration

The Remuneration and Nomination Committee annually reviews and determines the fixed remuneration, inclusive of superannuation contribution amounts and salary sacrifice arrangements, for Executive Directors and Key Management Personnel with oversight from the Board of Directors. The process consists of a review of group and individual performance, relevant comparative remuneration and, where appropriate, external advice from remuneration consultants.

Total fixed remuneration for Key Management Personnel for six month period ended 31 December 2015 is set out in section (e).

## Performance Based Remuneration

### Short Term Incentive

The Board introduced a Short Term Incentive Plan ("STI") for Executives from 1 January 2015. The objective of the STI is to align reward of Executives with the attainment of Key Performance Indicators ("KPI's") which drive short to medium term outcomes for the business incorporating a mixture of business development; operational and investor relations performance indicators.

The STI is paid in cash. The following table shows details of the STI as a percentage of Total Fixed Remuneration (exclusive of the required superannuation contribution), the relative weightings between Company KPIs and Individual KPIs and the amounts granted and forfeited for the year ended 31 December 2015:

NAME	MAXIMUM AMOUNT		ATTAINMENT WEIGHTINGS		AMOUNT GRANTED %	AMOUNT FORFEITED %
	% OF TFR	\$ AMOUNT	COMPANY KPI'S	INDIVIDUAL KPI'S		
<b>Executive Director</b>						
T Kumova <sup>(1)</sup>	-	-	-	-	-	-
<b>Key Management Personnel</b>						
D Strange	20%	\$64,000	40%	60%	100%	-
D Corr	20%	\$50,000	40%	60%	100%	-

<sup>(1)</sup> T Kumova did not participate in the group's STI plan for the year ended 31 December 2015.

Company and Individual KPIs are set and agreed annually by the Remuneration and Nomination Committee with oversight from the Board of Directors.

### Other discretionary bonuses

The Board in its discretion has resolved to award an additional bonus to selected senior employees in recognition of the significant contribution made to ensure the finalisation of the feasibility study, the success of the Company's fundraising activities, the commencement of mine development and the ongoing work to establish key sales and market targets as the mine moves towards commissioning. Accordingly, a once-off bonus of 142,745 shares was awarded to T Kumova (subject to shareholder approval), 36,056 shares to D Strange and 28,169 shares to D Corr for the period to 31 December 2015.

### Long Term Incentive

The Group has a Long Term Incentive Plan ("LTI Plan") and a Share Option Plan ("SOP") in existence. The SOP is now effectively dormant following the approval of the LTI Plan by shareholders at the Annual General Meeting on 13 November 2015. There will be no new options issued under the SOP.

A new LTI Plan allows for the issue performance rights, options and shares to directors and employees of the Company (or a subsidiary). The grant of performance rights, options and shares is subject to such conditions (if any) as determined by a committee established by the Board to administer the LTI Plan (or, if no such committee has been established, as determined by the Board) ("Plan Committee"). Any performance rights, options and shares granted under the LTI Plan may be subject to such vesting conditions (if any) as determined by the Plan Committee.

The LTI Plan is part of the Company's remuneration strategy and is designed to align the interests of management and shareholders and assist the Company to attract, motivate and retain Executives. In particular, the LTI Plan is designed to provide relevant directors and key employees with an incentive to remain with the Group and contribute to the future performance of the Group over the long term.



### *a. Performance Rights*

Executives are granted performance rights on an annual basis and vesting will be contingent on the achievement of specific performance hurdles over a three year period. The 'at risk' value of the annual grant over a three year period represents between 20% and 60% of an eligible employees' total fixed remuneration (exclusive of the required superannuation contribution). The performance hurdle involves an assessment of the Company's Total Shareholder Return ("TSR") relative to a comparative group of companies.

The actual number of performance rights granted each year is calculated by dividing between 20% and 60% of each eligible employee's total fixed remuneration (exclusive of the required superannuation contribution) by the closing volume-weighted average price ("VWAP") of the Company's shares on ASX in the one month preceding the grant date.

#### *Vesting Conditions*

Vesting of performance rights will be subject to the performance hurdle referred to above, which will be tested over a three year vesting period. If the performance hurdles are not satisfied (or become incapable of being satisfied), the performance rights will lapse (unless the Plan Committee determines otherwise).

The number of performance rights that vest will be determined by assessing the performance of the Company, measured by TSR as at the date that is three years after the grant date ("Performance Date"), relative to a comparative group of companies (the "TSR Hurdle"). The closing VWAP of the Company's shares on ASX in the month preceding the Performance Date, compared against the closing VWAP of the Company's shares on ASX in the month preceding the grant date of the performance rights, will be used to calculate TSR over the three year vesting period. The TSR will incorporate capital returns as well as dividends notionally reinvested and, at present, is considered the most appropriate means of measuring Company performance.

The following table provides a summary of the TSR Hurdle and the relationship between Company performance and the vesting of performance rights:

PERFORMANCE AGAINST TSR TARGET	PERCENTAGE OF PERFORMANCE RIGHTS ELIGIBLE TO VEST
TSR performance is at or below the median performance of the comparator group	0%
TSR performance of between the median and 75th percentile performance of the comparator group	Straight line pro-rata between 0% and 100%
TSR performance is at or above the 75th percentile performance of the comparator group	100%

In the event that a participant in the LTI Plan ceases to be a director or employee of the Group, the treatment of any performance rights held by the participant will depend on the circumstances surrounding the cessation of his/her directorship/employment. In general terms, and subject to the discretion of the Plan Committee, if the participant is a "bad leaver", any unvested performance rights will immediately lapse; whereas if the participant is not a "bad leaver", he/she will be entitled to retain a pro-rata amount of unvested performance rights (based on the proportion of the vesting period for which the participant was a director/employee). The Plan Committee also has power to deem that performance rights will lapse in a number of scenarios, including if a participant commits an act of fraud, defalcation or gross misconduct, or materially breaches his or her duties or brings the Group (or any member thereof) into disrepute.

In the event of a change of control, all unvested performance rights will vest.

In the event that vesting conditions attached to performance rights were (or were deemed to have been) satisfied due to a material misstatement in the Company's financial statements in respect of an applicable vesting period (or another event during such vesting period), the holder of those performance rights will cease to be entitled to them and the Plan Committee may, among other things, cancel those performance rights for no consideration.

## TSR Comparative Group

Grant for performance rights will be tested against Syrah's TSR performance relative to the comparative group on the Performance Date.

The TSR comparative group as selected by the Board of Directors for the performance rights issued for the year ended 31 December 2015 (for testing as at 31 December 2017) is as follows:

- > Alkane Resources Limited (ASX: ALK)
- > AMG Advanced Metallurgical Group N.V. (XAMSG: AMG)
- > Bacanora Minerals Limited (TSX.V: BCN)
- > CleanTeQ Holdings Limited (ASX: CLQ)
- > Flinders Resources Limited (TSX.V: FDR)
- > Iluka Resources Limited (ASX: ILU)
- > Imerys SA (NK: FP)
- > Kenmare Resources Plc (LON: KMR)
- > Mason Graphite Inc. (TSX.V: LLG)
- > Metals of Africa Limited (ASX: MTA)
- > Minerals Deposits Limited (ASX: MDL)
- > Orocobre Limited (ASX: ORE)
- > SGL Carbon SE (FWB: SGL)
- > Triton Minerals Limited (ASX: TON)
- > Valence Industries Limited (ASX: VXL)
- > Western Lithium USA Corporation (TSX.V: WLC)
- > Wolf Minerals Limited (ASX: WLF)

The Board reserves the right to adjust the composition and number of the companies in the comparative group from time to time to take into account events including, but not limited to, takeovers, mergers and liquidations that might occur during the performance period.

The table below summarises the number and movements in Performance Rights issued during the financial period:

	6 MONTHS TO 31 DECEMBER 2015	12 MONTHS TO 30 JUNE 2015
	NUMBER	NUMBER
Balance at the beginning of the period	-	-
Granted during the period	100,707	-
Vested during the period	-	-
Lapsed/forfeited during the period	-	-
Balance at the end of the period	100,707	-

## b. Share Options

### Share Option Plan

The SOP was established and approved by shareholders at an Annual General Meeting held on 19 November 2013 and enables the Company, at the discretion of the Board of Directors, to offer employees and directors options.

As at 31 December 2015, there were 5,947,000 options outstanding (30 June 2015: 6,622,005 options outstanding) under this plan. The table below summarises the number and movements in Options under this plan during the financial period:

	<b>6 MONTHS TO 31 DECEMBER 2015</b>	<b>12 MONTHS TO 30 JUNE 2015</b>
	<b>NUMBER</b>	<b>NUMBER</b>
Balance at the beginning of the period	6,622,005	4,294,467
Granted during the period	250,000	5,050,000
Exercised during the period	(925,001)	(2,722,462)
Expired during the period	(4)	-
Balance at the end of the period	5,947,000	6,622,005

### Long Term Incentive Plan

The LTIP was established and approved by shareholders at an Annual General Meeting held on 13 November 2015 and enables the Company, at the discretion of the Board of Directors, to offer employees and directors a number of equity related interests, including options, performance rights and shares.

Options issued under this plan are for a specified period and each option or performance right is convertible into one ordinary share.

There are no voting or dividend rights attached to the options. Voting rights will attach to the ordinary shares when the options have been exercised. Unvested options will not be quoted on the ASX.

As at 31 December 2015, there were 1,000,000 options outstanding (30 June 2015: nil options outstanding) under this plan. The table below summarises the number and movements in options under this plan during the financial period:

	<b>6 MONTHS TO 31 DECEMBER 2015</b>	<b>12 MONTHS TO 30 JUNE 2015</b>
	<b>NUMBER</b>	<b>NUMBER</b>
Balance at the beginning of the period	-	-
Granted during the period	1,000,000	-
Exercised during the period	-	-
Expired during the period	-	-
Balance at the end of the period	1,000,000	-



## e) Details Of Remuneration Expense

The following tables show details of the remuneration expense recognised for the Group's Non-Executive Directors; Executive Directors and Other Key Management Personnel for the current and previous financial periods measured in accordance with the requirements of the Australian Accounting Standards:

Table 1: Remuneration for the six month period ended 31 December 2015

	FIXED REMUNERATION				VARIABLE REMUNERATION		TOTAL \$
	SALARY & FEES \$	LEAVE <sup>(4)</sup> \$	OTHER \$	POST- EMPLOYMENT BENEFITS \$	CASH BONUSES <sup>(3)</sup> \$	SHARE-BASED PAYMENTS <sup>(5)</sup> \$	
<b>Non-Executive Directors</b>							
J Askew <sup>(1)</sup>	71,175	-	10,000 <sup>(2)</sup>	-	-	47,540	128,715
S Riggall	45,978	-	10,000 <sup>(2)</sup>	4,365	-	31,693	92,036
R Brans	42,443	-	-	4,032	-	163,563	210,038
J Caldeira	46,538	-	-	-	-	163,563	210,101
<b>Sub-total Non-Executive Directors</b>	<b>206,134</b>	<b>-</b>	<b>20,000</b>	<b>8,397</b>	<b>-</b>	<b>406,359</b>	<b>640,890</b>
<b>Executive Director</b>							
T Kumova	90,909	1,158	-	9,091	-	1,466,814 <sup>(6)</sup>	1,567,972
<b>Sub-total Executive Director</b>	<b>90,909</b>	<b>1,158</b>	<b>-</b>	<b>9,091</b>	<b>-</b>	<b>1,466,814</b>	<b>1,567,972</b>
<b>Key Management Personnel</b>							
D Strange	160,000	4,371	-	15,200	64,000	571,066 <sup>(6)</sup>	814,637
D Corr	125,000	2,021	-	11,875	50,000	531,432 <sup>(6)</sup>	720,328
<b>Sub-total Key Management Personnel</b>	<b>285,000</b>	<b>6,392</b>	<b>-</b>	<b>27,075</b>	<b>114,000</b>	<b>1,102,598</b>	<b>1,534,975</b>
<b>TOTAL</b>	<b>582,043</b>	<b>7,550</b>	<b>20,000</b>	<b>44,563</b>	<b>114,000</b>	<b>2,975,671</b>	<b>3,743,827</b>

<sup>(1)</sup> Directors fees paid to J Askew are paid to International Mining and Finance Corp, a company of which he is a Director.

<sup>(2)</sup> Represents consultancy fees paid to J Askew and S Riggall for additional services provided to the Company as members of the Due Diligence Committee for the capital raising during August 2015. These consulting fees were in addition to their fees earned as Non-Executive Chairman and Non-Executive Director respectively.

<sup>(3)</sup> Represents short term incentive payments for the year ended 31 December 2015 as approved by the Remuneration and Nomination Committee.

<sup>(4)</sup> Represents annual leave and long service leave entitlements, measured on an accrual basis and reflects the movement in the entitlements over the 6 month period ended 31 December 2015.

<sup>(5)</sup> Represents amounts expensed through the Company's profit and loss for options, shares and performance rights issued under the Company's LTIP and SOP. These amounts are recognised in the Company's profit and loss over the vesting period in accordance with AASB 2 *Share-based Payments*.

<sup>(6)</sup> Includes a once-off bonus of 142,745 shares to T Kumova (subject to shareholder approval), 36,056 shares to D Strange and 28,169 shares to D Corr in recognition of the significant contribution made to ensure the finalisation of the feasibility study, the success of the Company's fundraising activities, the commencement of mine development and the on-going work to establish key sales and marketing targets as the mine moves towards commissioning.

Table 2: Remuneration for the year ended 30 June 2015

	FIXED REMUNERATION				VARIABLE REMUNERATION		TOTAL \$
	SALARY & FEES \$	LEAVE <sup>(10)</sup> \$	OTHER \$	POST- EMPLOYMENT BENEFITS \$	CASH BONUSES \$	SHARE-BASED PAYMENTS <sup>(11)</sup> \$	
<b>Non-Executive Directors</b>							
J Askew <sup>(1)</sup>	109,106	-	-	-	-	-	109,106
S Riggall <sup>(2)</sup>	60,046	-	-	5,704	-	-	65,750
R Brans	79,659	-	-	7,966	-	588,037	675,662
J Caldeira <sup>(3)</sup>	82,065	-	-	-	-	588,037	670,102
T Eadie <sup>(4)</sup>	17,787	-	-	1,779	-	-	19,566
<b>Sub-total Non-Executive Directors</b>	<b>348,663</b>	<b>-</b>	<b>-</b>	<b>15,449</b>	<b>-</b>	<b>1,176,074</b>	<b>1,540,186</b>
<b>Executive Directors</b>							
T Kumova <sup>(5)</sup>	181,818	618	-	18,182	-	2,790,186	2,990,804
P Kehoe <sup>(6)</sup>	82,068	(24,120)	-	6,640	-	-	64,588
<b>Sub-total Executive Directors</b>	<b>263,886</b>	<b>(23,502)</b>	<b>-</b>	<b>24,822</b>	<b>-</b>	<b>2,790,186</b>	<b>3,055,392</b>
<b>Key Management Personnel</b>							
D Strange <sup>(7)</sup>	174,933	15,678	-	16,619	-	324,192	531,422
D Corr <sup>(8)</sup>	125,000	10,911	-	11,875	-	324,192	471,978
M Leydin <sup>(9)</sup>	123,950	-	-	-	-	-	123,950
<b>Sub-total Key Management Personnel</b>	<b>423,883</b>	<b>26,589</b>	<b>-</b>	<b>28,494</b>	<b>-</b>	<b>648,384</b>	<b>1,127,350</b>
<b>TOTAL</b>	<b>1,036,432</b>	<b>3,087</b>	<b>-</b>	<b>68,765</b>	<b>-</b>	<b>4,614,644</b>	<b>5,722,928</b>

<sup>(1)</sup> J Askew was appointed Non-Executive Chairman of the Company from 2 October 2014. Directors fees paid to J Askew are paid to International Mining and Finance Corp, a company of which he is a Director.

<sup>(2)</sup> S Riggall was appointed Non-Executive Director of the Company from 2 October 2014.

<sup>(3)</sup> J Caldeira was appointed Non-Executive Director of the Company from 22 July 2014.

<sup>(4)</sup> T Eadie resigned as a Non-Executive Chairman of the Company on 2 October 2014.

<sup>(5)</sup> T Kumova was appointed Managing Director of the Company from 2 October 2014 and was previously an Executive Director of the Company.

<sup>(6)</sup> P Kehoe resigned as Managing Director of the Company on 2 October 2014.

<sup>(7)</sup> D Strange commenced employment with the Company on 15 December 2014.

<sup>(8)</sup> D Corr commenced employment with the Company on 5 January 2015.

<sup>(9)</sup> M Leydin ceased to be classified as Key Management Personnel from 5 January 2015 following the appointment of the Chief Financial Officer. M Leydin continues in the capacity of Company Secretary as at the date of this report. Fees for Company Secretarial Services and Accounting Services provided by M Leydin are charged to Syrah by Leydin Freyer Corp Pty Ltd, a company in which M Leydin has a beneficial interest.

<sup>(10)</sup> Represents annual leave and long service leave entitlements, measured on an accrual basis and reflects the movement in the entitlements over the 12 month period.

<sup>(11)</sup> Represents amounts expensed through the Company's profit and loss for options, performance rights and shares issued under the Company's LTIP and SOP. These amounts are recognised in the Company's profit and loss over the vesting period in accordance with AASB 2 *Share-based Payments*.

## f) Executive Service Agreements

Remuneration and other key terms of employment for Executive Directors and Key Management Personnel as at the date of this report are formalised in Employment Agreements and summarised in the following table:

NAME	POSITION	TERM OF AGREEMENT	TOTAL FIXED REMUNERATION	NOTICE PERIOD BY EXECUTIVE	NOTICE PERIOD BY COMPANY	TERMINATION PAYMENT
T Kumova <sup>(1)</sup>	Managing Director	Ongoing	\$492,750 <sup>(2)</sup>	6 months <sup>(3)</sup>	6 months (or payment in lieu of notice)	6 months Total Fixed Remuneration
D Strange	Chief Operating Officer	Ongoing	\$350,400 <sup>(2)</sup>	3 months <sup>(3)</sup>	3 months (or payment in lieu of notice)	6 months Total Fixed Remuneration <sup>(4)</sup>
D Corr	Chief Financial Officer	Ongoing	\$273,750 <sup>(2)</sup>	3 months <sup>(3)</sup>	3 months (or payment in lieu of notice)	6 months Total Fixed Remuneration <sup>(4)</sup>

<sup>(1)</sup> T Kumova's entered into a new employment contract effective from 1 January 2016 and will participate in the Group's 'at risk' remuneration plans for the year ending 31 December 2016.

<sup>(2)</sup> Total fixed remuneration includes superannuation contributions at the specified statutory rate which is presently 9.5% of base pay per annum.

<sup>(3)</sup> Options will be forfeited upon cessation of employment prior to the conclusion of the vesting period (unless the Board determines otherwise). Any options which the holder is entitled to exercise upon cessation of employment are exercisable within 30 days otherwise the options will lapse. In the event of cessation of employment by reason of death, any options which the holder is entitled to exercise are exercisable within 3 months by a legal representative otherwise the options will lapse. Termination of employment by the Company for serious misconduct or wilful neglect will result in the forfeiture of options.

<sup>(4)</sup> In the event of termination of employment by the Company (except for serious misconduct or wilful neglect), any options which the holder is entitled to exercise are exercisable within 6 months and any options not exercised during this period will lapse. Termination of employment by the Company for serious misconduct or wilful neglect will result in the forfeiture of options.

Total fixed remuneration as set out above are as at the date of this report.

## g) Terms and Conditions of Share-Based Payment Arrangements

### Options

The terms and conditions of each grant of options affecting the remuneration of Directors and Key Management Personnel in the current or a future reporting period are as follows:

GRANT DATE	VESTING AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION	VALUE PER OPTION AT GRANT DATE
2 October 2014	2 October 2015	2 October 2019	\$6.26 <sup>(1)</sup>	2,800,000 <sup>(2)(5)</sup>	\$1.88
28 January 2015	28 January 2016	28 January 2018	\$4.08 <sup>(1)</sup>	1,200,000 <sup>(3)</sup>	\$1.29
1 December 2015	30 November 2016	30 November 2018	\$4.71	1,000,000 <sup>(4)(6)</sup>	\$0.96

<sup>(1)</sup> Effective from 9 September 2015, the exercise price of these options was reduced by \$0.05 (5 cents) per option in accordance with the term of the options, ASX Listing Rule 3.11.2 and the formula contained in ASX Listing Rule 7.22.3 as a result of the issuance of shares from a 4 for 19 accelerated renounceable entitlement offer.

<sup>(2)</sup> Consists of 2,000,000 unlisted options issued to T Kumova, Managing Director, 400,000 unlisted options issued to R Brans, Non-Executive Director and 400,000 unlisted options issued to J Caldeira, Non-Executive Director.

<sup>(3)</sup> Consists of 600,000 unlisted options issued to D Strange, Chief Operating Officer and 600,000 unlisted options issued to D Corr, Chief Financial Officer.

<sup>(4)</sup> Consists of 600,000 unlisted options issued to J Askew, Non-Executive Chairman and 400,000 unlisted options issued to S Riggall, Non-Executive Director.

<sup>(5)</sup> In the event a participant of the SOP ceases to be a Director of the Company prior to the conclusion of the vesting period, the options will lapse (unless the Board determines otherwise). Any options which the Director is entitled to exercise upon cessation are exercisable within 30 days otherwise the options will lapse. In the event of cessation by reason of death, any options which the holder is entitled to exercise are exercisable within 3 months by a legal representative otherwise the options will lapse. Termination for serious misconduct or wilful negligence will result in the forfeiture of options.

<sup>(6)</sup> In the event a participant of the LTIP ceases to be a Director of the Company the treatment of options will be dependent upon the circumstances surrounding the cessation. In general terms (and subject to the discretion of the Plan Committee), if the participant is a "bad leaver" any unvested options will be forfeited. If the participant is not a "bad leaver" they will be entitled to a pro-rata amount of unvested options. Any vested options which the Non-Executive Director is entitled to exercise upon cessation are exercisable within 60 days otherwise the options will lapse. The Plan Committee also has the power to deem that options will lapse in a number of scenarios, including if a participant commits an act of fraud, defalcation or gross misconduct, or materially breaches his or her duties or brings the Group (or any member thereof) into disrepute.

## h) Director and Key Management Personnel Equity Holdings

### Shareholdings

A reconciliation of the number of shares held by Directors and Key Management Personnel, including their personally related parties, in the Company is set out below:

	BALANCE 1 JULY 2015	OPTIONS EXERCISED	ON MARKET PURCHASES	ON MARKET DISPOSALS	OTHER	BALANCE 31 DECEMBER 2015
<b>Director</b>						
T Kumova	14,522,215	-	-	-	-	14,522,215 <sup>(1)</sup>
<b>Key Management Personnel</b>						
D Strange	-	-	-	-	-	- <sup>(2)</sup>
D Corr	-	-	-	-	-	- <sup>(2)</sup>

<sup>(1)</sup> The Board of Directors has resolved to issue 142,745 shares to T Kumova in recognition of the significant contribution made since becoming Managing Director. As at 31 December 2015 the issuance of these shares remains subject to shareholder approval and is not included in the above reconciliation.

<sup>(2)</sup> The Board of Directors has resolved to issue 36,056 shares to D Strange and 28,169 shares to D Corr in recognition of the significant contribution made for the year ended 31 December 2015. These shares were issued on 19 February 2016 and are not included in the above reconciliation.

### Performance Rights

A reconciliation of the number of Performance Rights held by Directors and Key Management Personnel, including their personally related parties, in the Company is set out below:

	BALANCE 1 JULY 2015	GRANTED DURING THE PERIOD	ISSUED ON VESTING	BALANCE 31 DECEMBER 2015	VESTED	UNVESTED
<b>Key Management Personnel</b>						
D Strange	-	56,537	-	56,537	-	56,537
D Corr	-	44,170	-	44,170	-	44,170

Details of the Performance Rights Plan and vesting conditions are provided on page 35 of this report.

### Options

A reconciliation of the number of Options held by Directors and Key Management Personnel, including their personally related parties, over unissued ordinary shares in the Company is set out below:

	BALANCE 1 JULY 2015	GRANTED DURING THE PERIOD	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 31 DECEMBER 2015	VESTED	UNVESTED
<b>Directors</b>							
J Askew	-	600,000	-	-	600,000	-	600,000
T Kumova	2,000,000	-	-	-	2,000,000 <sup>(1)</sup>	2,000,000	-
S Riggall	-	400,000	-	-	400,000	-	400,000
R Brans	650,000	-	-	-	650,000	650,000	-
J Caldeira	400,000	-	-	-	400,000	400,000	-
<b>Key Management Personnel</b>							
D Strange	600,000	-	-	-	600,000	-	600,000
D Corr	600,000	-	-	-	600,000	-	600,000

<sup>(1)</sup> The Board of Directors has resolved to issue T Kumova with 1,000,000 unlisted options exercisable at \$4.58 and expiring three years from the date of grant. As at 31 December 2015 the issuance of these share options remains subject to shareholder approval and is not included in the above reconciliation.



## i) Other Transactions with Directors and Key Management Personnel

Aggregate amounts of other transactions with Directors and Key Management Personnel is set out below:

	6 MONTHS TO 31 DECEMBER 2015 \$	12 MONTHS TO 30 JUNE 2015 \$
<i>Amounts recognised as an expense</i>		
Accounting and company secretarial fees <sup>(1)</sup>	-	123,950
Consultancy fees <sup>(2)</sup>	-	99,000
Office lease charges <sup>(3)</sup>	-	100,184
	-	323,134
<i>Amounts recognised as mine, properties and development</i>		
Legal services <sup>(4)</sup>	513,547	-
Consultancy fees <sup>(5)</sup>	27,500	-
	541,047	-
<i>Amounts recognised as exploration and evaluation asset</i>		
Legal services <sup>(4)</sup>	-	310,142
Consultancy services <sup>(5)</sup>	-	62,500
	-	372,642

<sup>(1)</sup> Represents accounting and company secretarial services provided to the Company by Leydin Freyer Pty Ltd. M Leydin, Company Secretary, is a principal and has a beneficial interest in Leydin Freyer Pty Ltd. M Leydin ceased to be classified as Key Management Personnel from 5 January 2015 following the appointment of the Chief Financial Officer. M Leydin continues in the capacity of Company Secretary as at the date of this report.

<sup>(2)</sup> Represents consultancy services provided to the Company by T Eadie as part of the demerger of Jacana Minerals Limited. T Eadie was Non-Executive Chairman of the Company until his resignation on 2 October 2014.

<sup>(3)</sup> Represents office lease charges paid to Copper Strike Limited a shareholder of Syrah Resources Limited. T Eadie who was Non-Executive Chairman of the Company until his resignation on 2 October 2014 is also Non-Executive Chairman of Copper Strike Limited.

<sup>(4)</sup> Represents legal services provided to the Company by Sal & Caldeira Advogados, Lda. J Caldeira was appointed Non-Executive Director of the Company from 22 July 2014 as is a senior partner of Sal & Caldeira Advogados, Lda.

<sup>(5)</sup> Represents consultancy services provided to the Company by Proman Consulting Engineers Pty Ltd. R Brans, Non-Executive Director, provided these services and has a beneficial interest in Proman Consulting Engineers Pty Ltd.

These services are provided on normal commercial terms and conditions.

The following balances were outstanding at the end of the period in relation to the above transactions:

	31 DECEMBER 2015 \$	30 JUNE 2015 \$
Trade and other payables	82,266	73,201

## j) Additional Information

The Company aims to align executive remuneration to drive short, medium and long term outcomes for the business which create shareholder value. The table below shows the Group's performance over the past five years. These performance measures may not necessarily be consistent with the measures used in determining performance based remuneration and accordingly there may not always be a direct correlation between these measures and the variable remuneration awarded.

	31 DECEMBER 2015	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013	30 JUNE 2012
Market capitalisation (\$'000)	900,946	606,089	672,753	301,446	291,727
Closing share price (\$)	3.90	3.66	4.14	2.04	2.33
Loss after income tax for the period (\$'000)	(3,258)	(11,633)	(6,751)	(4,759)	(2,062)
Basic earnings per share (cents) <sup>(1)</sup>	(1.51)	(6.99)	(4.29)	(3.47)	(2.48)

<sup>(1)</sup> Basic earnings per share for the 12 months to 30 June 2015 has been adjusted as a result of the pro-rata accelerated renounceable Entitlement Offer as announced on 3 August 2015 where eligible shareholders were able to subscribe for 4 new Syrah shares for every 19 existing shares.

### Shares options and performance rights

#### Unissued ordinary shares

Unissued ordinary shares of Syrah Resources Limited under option and performance rights as at the date of this report are as follows:

GRANT DATE	VESTING AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER OF SHARES UNDER OPTION / PERFORMANCE RIGHTS	VALUE PER OPTION/ PERFORMANCE RIGHT AT GRANT DATE
<b>SHARE OPTIONS</b>					
16 July 2012	16 July 2013	16 July 2016	\$2.12 <sup>(1)(3)</sup>	22,000	\$1.81
12 June 2013	12 June 2014	12 June 2016	\$2.81 <sup>(1)(3)</sup>	250,000	\$1.06
19 May 2014	19 May 2015	19 May 2019	\$5.41 <sup>(1)(3)</sup>	500,000	\$2.24
2 October 2014	2 October 2015	2 October 2019	\$6.26 <sup>(1)(3)</sup>	2,800,000	\$1.88
28 January 2015	28 January 2016	28 January 2018	\$4.08 <sup>(3)</sup>	1,200,000	\$1.29
27 April 2015	- <sup>(2)</sup>	27 April 2017	- <sup>(2)</sup>	125,000	\$3.80
7 May 2015	7 May 2016	7 May 2018	\$5.40 <sup>(3)</sup>	500,000	\$1.24
9 June 2015	9 June 2016	9 June 2018	\$4.99 <sup>(3)</sup>	300,000	\$1.22
26 October 2015	26 October 2016	26 October 2020	\$4.38	250,000	\$1.18
1 December 2015	1 December 2016	1 December 2018	\$4.71	1,000,000	\$0.96
<b>Total Options</b>				<b>6,947,000</b>	
<b>PERFORMANCE RIGHTS</b>					
1 December 2015	31 December 2017	1 January 2018 <sup>(5)</sup>	-	100,707	\$2.83
<b>Total performance rights</b>				<b>100,707</b>	

<sup>(1)</sup> On 15 October 2014, the exercise price of the above options were reduced by \$0.04 (4 cents) per option in accordance with the terms of the options, ASX Listing Rules 3.11.2 and the formula contained in ASX Listing Rule 7.22.3 as a result of the demerger of Jacana Minerals Limited and the 3 for 10 Jacana Minerals Limited share distribution.

<sup>(2)</sup> Represents options that were granted to a selected senior employee for nil consideration with exercise conditional on the achievement of certain performance hurdles that are aligned with the creation of shareholder value.

<sup>(3)</sup> Effective from 9 September 2015, the exercise price of options were reduced by \$0.05 (5 cents) per option in accordance with the terms of the options, ASX Listing Rule 3.11.2 and the formula contained in ASX Listing Rule 7.22.3 as a result of the issuance of shares from a 4 for 19 accelerated renounceable entitlement offer.

<sup>(4)</sup> Performance rights granted to selected senior employees following the approval of the LTIP by shareholders at an Annual General Meeting held on 13 November 2015. The performance rights were issued for the year ended 31 December 2015 (for testing as at 31 December 2017). If the performance hurdles are not satisfied (or incapable of being satisfied), the performance rights will lapse on this date (unless the Plan Committee determines otherwise).

No option holder has any right under the options to participate in any share issue of the Company.

### **Shares issued on exercise of options**

Ordinary shares of Syrah Resources Limited issued during the six month financial period and up to the date of this report on the exercise of options under the Share Option Plan were as follows:

GRANT DATE	SHARE ISSUANCE DATE	EXERCISE PRICE	NUMBER OF SHARES ISSUED
15 December 2011	31 July 2015	\$0.22	375,000
27 April 2015	24 November 2015	-	125,000
15 December 2011	1 December 2015	\$0.17	125,000
15 December 2011	8 December 2015	\$0.17	300,001

## **INDEMNIFICATION OF OFFICERS**

During the financial year the Company paid a premium in respect of a contract insuring the Directors of the Company, the company secretaries and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has entered into a Deed of Indemnity, Insurance and Access with each Director. In summary the Deed provides for:

- > Access to corporate records for each Director for a period after ceasing to hold office in the Company;
- > The provision of Directors and Officers Liability Insurance; and
- > Indemnity for legal costs incurred by Directors in carrying out the business affairs of the Company.

## **INDEMNITY OF AUDITORS**

The Company has entered into an agreement to indemnify its auditor, PricewaterhouseCoopers Australia, against any claims or liabilities (including legal costs) asserted by third parties arising out of their services as auditor of the Company, where the liabilities arise as a direct result of the Company's breach of its obligations to the Auditors, unless prohibited by the *Corporations Act 2001*.

## **AUDIT AND NON-AUDIT SERVICES**

Details of amounts paid or payable to the auditor for audit and non-audit services provided during the period are set out below:

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- > all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- > none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the period the following fees were paid or payable for services provided by the auditors of the parent entity, its related practices and non-related audit firms:

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>(a) PricewaterhouseCoopers Australia</b>		
<i>Audit of group financial statements:</i>		
PwC Australian firm	82	-
Network firms of PwC Australian firm	43	-
Total remuneration for audit services	125	-
<i>Non-assurance services</i>		
Taxation compliance services	23	-
Taxation consulting services	308	-
Total remuneration for non-assurance services	331	-
<b>Total remuneration paid to PricewaterhouseCoopers</b>	<b>446</b>	<b>-</b>
<b>(b) Grant Thornton Audit Pty Ltd</b>		
Audit and review of financial reports	-	72
<b>Total remuneration of Grant Thornton</b>	<b>-</b>	<b>72</b>

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers expertise and experience with the Group are important. These assignments are principally tax consulting and advice or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting assignments. Group policy also requires the Chairperson of the Audit, Risk and Compliance Committee to approve all individual assignments performed by PricewaterhouseCoopers with total fees of greater than \$20,000.

## 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 46.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

The report is made in accordance with a resolution of Directors.



**James Askew**  
Chairman



**Tolga Kumova**  
Managing Director

Melbourne, Australia  
31 March 2016



# AUDITOR'S INDEPENDENCE DECLARATION



## Auditor's Independence Declaration

As lead auditor for the audit of Syrah Resources Limited for the period 1 July 2015 to 31 December 2015, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to be 'JO'.

John O'Donoghue  
Partner  
PricewaterhouseCoopers

Melbourne  
31 March 2016

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
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Liability limited by a scheme approved under Professional Standards Legislation.

# FINANCIAL REPORT 2015

For the 6 month period ended  
31 December 2015

These financial statements are the consolidated financial statements of the consolidated entity consisting of Syrah Resources Limited and its subsidiaries. The financial statements are presented in Australian currency.

Syrah Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 9, 356 Collins Street, Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 24 to 45, which is not part of these financial statements.

All press releases, financial reports and other information are available on our website: [www.syrahresources.com.au](http://www.syrahresources.com.au)



## SYRAH RESOURCES

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2015

	NOTES	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>Revenue from continuing operations</b>	6	402	296
Other income	7	5,995	868
		6,397	1,164
<b>Expenses</b>			
Legal and consulting expenses		(1,234)	(1,456)
Administration expenses		(1,497)	(2,254)
Employee benefits expense	8	(5,443)	(8,594)
Depreciation and amortisation expense	8	(328)	(653)
Exploration and evaluation costs written off		(2)	(151)
Impairment of assets	8	(1,151)	(132)
		(3,258)	(12,076)
<b>Loss before income tax expense from continuing operations</b>		(3,258)	(12,076)
Income tax expense	9	-	-
		(3,258)	(12,076)
Loss after income tax expense from continuing operations		(3,258)	(12,076)
Profit/(loss) after income tax (expense)/benefit from discontinued operations	10	-	443
		(3,258)	(11,633)
<b>Loss after income tax expense for the period attributable to the owners of Syrah Resources Limited</b>		(3,258)	(11,633)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to the profit or loss</i>			
Exchange differences on translation of foreign subsidiaries	21	(7,066)	323
Reserves released to profit on demerger of Jacana Minerals Limited	21	-	(790)
		(7,066)	(467)
Other comprehensive income for the period, net of tax		(7,066)	(467)
<b>Total comprehensive income for the period attributable to the owners of Syrah Resources Limited</b>		(10,324)	(12,100)
Total comprehensive income for the year is attributable to:			
Continuing operations		(10,324)	(11,753)
Discontinued operations		-	(347)
		(10,324)	(12,100)

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT)

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2015

	NOTES	6 MONTHS TO 31 DECEMBER 2015 CENTS	12 MONTHS TO 30 JUNE 2015 (ADJUSTED) CENTS
<b>Earnings per share for loss from continuing operations attributable to the owners of Syrah Resources Limited</b>			
Basic earnings per share	30	(1.51)	(7.26)
Diluted earnings per share	30	(1.51)	(7.26)
<b>Earnings per share for loss from discontinued operations attributable to the owners of Syrah Resources Limited</b>			
Basic earnings per share	30	-	0.27
Diluted earnings per share	30	-	0.27
<b>Earnings per share for loss attributable to the owners of Syrah Resources Limited</b>			
Basic earnings per share	30	(1.51)	(6.99)
Diluted earnings per share	30	(1.51)	(6.99)

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	NOTES	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	191,594	8,931
Trade and other receivables	12	4,598	2,323
Available-for-sale financial assets	13	163	33
<b>Total current assets</b>		<b>196,355</b>	<b>11,287</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	3,419	4,901
Mine properties and development	15	61,679	41,918
Intangibles	16	139	185
Exploration and evaluation	17	1,218	811
<b>Total non-current assets</b>		<b>66,455</b>	<b>47,815</b>
<b>Total assets</b>		<b>262,810</b>	<b>59,102</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	8,032	2,547
Provisions	19	182	141
<b>Total current liabilities</b>		<b>8,214</b>	<b>2,688</b>
<b>Non-current liabilities</b>			
Provisions	19	1,423	9
<b>Total non-current liabilities</b>		<b>1,423</b>	<b>9</b>
<b>Total liabilities</b>		<b>9,637</b>	<b>2,697</b>
<b>Net assets</b>		<b>253,173</b>	<b>56,405</b>
<b>Equity</b>			
Issued capital	20	284,430	80,910
Reserves	21	1,836	5,330
Accumulated losses	22	(33,093)	(29,835)
<b>Total equity</b>		<b>253,173</b>	<b>56,405</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2015

	CONTRIBUTED EQUITY \$'000	ACCUMULATED LOSSES \$'000	RESERVES \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 July 2015</b>	<b>80,910</b>	<b>(29,835)</b>	<b>5,330</b>	<b>56,405</b>
Loss after income tax expense for the period	-	(3,258)	-	(3,258)
Other comprehensive income for the period, net of tax	-	-	(7,066)	(7,066)
Total comprehensive income for the period	-	(3,258)	(7,066)	(10,324)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	202,915	-	-	202,915
Share-based payments (note 31)	-	-	4,177	4,177
Exercise of options	605	-	(605)	-
	203,520	-	3,572	207,092
<b>Balance at 31 December 2015</b>	<b>284,430</b>	<b>(33,093)</b>	<b>1,836</b>	<b>253,173</b>
<b>Balance at 1 July 2014</b>	<b>81,444</b>	<b>(18,670)</b>	<b>1,768</b>	<b>64,542</b>
Loss after income tax expense for the period	-	(11,633)	-	(11,633)
Other comprehensive income for the period, net of tax	-	-	(467)	(467)
Total comprehensive increase for the period	-	(11,633)	(467)	(12,100)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	4,313	-	-	4,313
Demerger distributions (note 10)	(6,559)	468	-	(6,091)
Share-based payments (note 31)	-	-	5,741	5,741
Exercise of options	1,712	-	(1,712)	-
	(534)	468	4,029	3,963
<b>Balance at 30 June 2015</b>	<b>80,910</b>	<b>(29,835)</b>	<b>5,330</b>	<b>56,405</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2015

	NOTES	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of goods and services tax)		(3,897)	(6,436)
Interest received		188	331
<b>Net cash inflow / (outflow) from operating activities</b>	29	<b>(3,709)</b>	<b>(6,105)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(95)	(3,747)
Payments for mine properties and development		(15,992)	-
Payments for intangibles		-	(235)
Payments for exploration and evaluation		(407)	(13,472)
Loan recovered from/(provided to) other parties		300	(500)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(16,194)</b>	<b>(17,954)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		210,963	4,339
Share issue transaction costs		(8,714)	(24)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>202,249</b>	<b>4,315</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>182,346</b>	<b>(19,744)</b>
Cash and cash equivalents at beginning of the period		8,931	28,571
Effects of exchange rate changes on cash and cash equivalents		317	104
<b>Cash and cash equivalents at end of the period</b>	11	<b>191,594</b>	<b>8,931</b>

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied for all the periods presented, unless otherwise stated.

The financial statements are for the consolidated entity consisting of Syrah Resources Limited and its subsidiaries. Syrah Resources Limited and its subsidiaries together are referred to in these financial statements as the Group or the 'consolidated entity'.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Syrah Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

#### **Compliance with IFRS**

The consolidated financial statements of the Syrah Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### **Historical cost convention**

These financial statements have been prepared under the historical cost convention, except for certain assets which, as noted, are at fair value.

#### **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 financial statements, are disclosed in Note 4.

#### **Parent entity information**

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 32.

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Syrah Resources Limited ('company' or 'parent entity') as at 31 December 2015 and the results of all subsidiaries for the six months then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to,

variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases. Details of subsidiaries are set out in Note 27.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the profit and loss.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Syrah Resources Limited.

### (c) Segment Reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. Refer to Note 5 for further information on segment descriptions.

### (d) Foreign currency translation

#### **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Syrah Resources Limited's functional and presentation currency.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Transactions and balances*

All foreign currency transactions during the financial period are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

### *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- > assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- > income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- > all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the profit and loss, as part of the gain

or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

### **(e) Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised for the major business transactions as follows:

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### **(f) Income tax**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences, including unused tax losses, only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and the tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **Tax Consolidation Legislation**

Syrah Resources Limited (the “head entity”) and its wholly-owned Australian subsidiaries formed an income tax consolidated group on 1 July 2014. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the ‘separate taxpayer within group’ approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### **(g) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current liabilities and non-current liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset’s useful life or over the shorter of the assets useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group, as lessee, are classified as operating leases. Payment made under operating leases (net of incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

### **(h) Discontinued operations**

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of other comprehensive income.

### **(i) Current and non-current classification**

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### (j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprises cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### (k) Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

### (l) Property, plant and equipment

Plant and equipment is stated at historical cost less, where applicable, any accumulated depreciation, amortisation or impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Land is not depreciated. Assets under construction are measured at cost and are not depreciated until they are ready and available for use. Depreciation on assets is calculated using either a straight-line or diminishing value method to allocate the cost, net of their residual values, over the estimated useful lives or the life of the mine, whichever is shorter. Leasehold improvements and certain leased plant and equipment are depreciated over the shorter lease term.

Other non-mine plant and equipment typically has the following estimated useful lives:

Buildings	20 years
Plant and Equipment	2 to 10 years
Computer Equipment	4 to 5 years

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial period end.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the period the asset is derecognised.

### (m) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment in value. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment in value. The gains or losses recognised in profit and loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### Software

Significant costs associated with software are deferred and amortised on either a straight-line or diminishing value method over the estimated useful life, being a finite life not exceeding five years.

### (n) Mine properties and development

#### Mine properties and development

Mine properties and development represents the accumulation of all exploration, evaluation and development expenditure incurred by, or on behalf of, the entity in relation to areas of interest in which construction or development has commenced and/or mining of a mineral resource has commenced. Where further development expenditure is incurred in respect of a production property after the commencement of production, such expenditure is carried as part of the cost of that production property only when substantial future economic benefits arise, otherwise such expenditure is classified as part of the cost of production.

Mine development costs for production properties in which the Group has an interest are amortised over the life of the area of interest to which the costs relates on a units of

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

production basis over the estimated proved and probable ore reserves and a proportion of other measured and indicated mineral resources where there is a higher degree of confidence that they can be extracted economically. Changes in the life of the area of interest and/or ore reserves and other mineral resources are accounted for prospectively.

### **Mines under construction**

Expenditure incurred in constructing a mine is accumulated separately for each area of interest. This expenditure includes all direct costs of construction, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads up to the time of commissioning the project. Upon successful commissioning of the project the aggregated costs of construction are transferred to non-current assets as either mine properties and development or property, plant and equipment as appropriate.

The carrying value of mine properties and development for each area of interest is assessed annually for impairment in accordance with Note 1(p).

### **(o) Exploration and evaluation**

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- > research and analysing exploration data
- > conducting geological studies, exploratory drilling and sampling
- > examining and testing extraction and treatment methods
- > compiling scoping and feasibility studies

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the balance sheet where it is expected that expenditure will be recovered through the successful development and exploitation of an area or interest, or by its sale; or exploration and evaluation activities are continuing in an area of interest and those activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off to the profit and loss in the financial period in which the decision is made.

Exploration and evaluation expenditure is reclassified to mine properties and development in the financial period when the technical feasibility and commercial viability of extracting a mineral resource is demonstrated. The carrying value of the exploration and evaluation expenditure is assessed for impairment prior to reclassification (Refer to Note 17).

### **(p) Impairment of assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

At each reporting date, the Group assesses whether there is any indication that other non-financial assets may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit and loss.

Recoverable amount is the greater of fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Where there is no binding sale agreement or active market, fair value less costs of disposal is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the pre-impairment value, adjusted for any depreciation that would have been recognised on the asset had the initial impairment loss not occurred. Such reversal is recognised in profit or loss.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Ore Reserves

The Company estimates its mineral resources and ore reserves based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the JORC 2012 code). Reserves, and for certain mineral resources, determined in this way are used in the calculation of depreciation, amortisation and impairment charges.

In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction.

### (r) Investments and other financial assets

#### *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition, and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

#### *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading purposes are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### *Held-to-maturity investments*

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### *Available-for-sale financial assets*

Financial assets that are available-for-sale are stated at fair value with gains and losses arising from changes in fair value recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit and loss for the period.

#### *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and an impairment loss is recognised in profit or loss only if there is evidence of a 'loss event' after initial recognition that has an impact on the estimated future cash flows of the financial asset. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Impairment losses on an equity instrument that were recognised in profit or loss are not reversed through profit or loss in subsequent periods.

### (s) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid. They arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### (t) Provisions

Provisions are recognised when the Group has a present obligation, it is probable that there will be a future sacrifice of economic benefits and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be recovered from a third party, for example under an insurance contract, the receivable is recognised as a separate asset but only when the reimbursement is virtually certain and it can be measured reliably. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the current market assessment of the time value of money. Where this is the case, its carrying amount is the present value of these estimated future cash flows. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### ***Decommissioning and restoration provision***

Decommissioning and restoration provisions include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. The provision is recognised in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. The costs are estimated on the basis of a closure plan drawn in accordance with the business plan and environmental regulations. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the profit or loss in each accounting period as a finance cost. Any changes in the provision, including those resulting from new disturbances, updated cost estimates, changes to the lives of operations and revisions to discount rates, are accounted for prospectively.

On initial recognition of the provision and for prospective changes in estimates, an equivalent amount is capitalised as part of mine properties and development, or the respective asset or area of interest that the restoration obligation relates to. Capitalised decommissioning and restoration provision costs are depreciated over the life of the respective assets. Where future changes in the provision result in a significant addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will apply.

### **(u) Employee entitlements**

#### ***Short-term employee benefits***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### ***Other long-term employee benefits***

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### ***Defined contribution superannuation expense***

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### ***Share-based payments***

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit and loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit and loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- > during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period
- > from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit and loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### (v) Contributed equity

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, of the share proceeds received.

### (w) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### (x) Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- > the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares;
- > by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- > the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- > the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (y) Goods and services tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### (z) Comparative figures

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

### (aa) Rounding of amounts

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### (ab) New accounting standards and interpretations

There were no new or amended accounting standards and interpretations applicable for the first time for the reporting period commencing 1 July 2015.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

#### (i) AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (effective from 1 January 2016)

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle merely clarifies existing requirements and therefore does not affect the Group's amendments to AASB 101

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

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

#### (iii) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities as well as impairment and hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. The Company intends to apply the standard from 1 January 2018. The Company is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Company's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statement when it is first adopted for the year ended 31 December 2018.

#### (iv) AASB 15 Revenue from Contracts with Customers (effective from 1 January 2017)

AASB 15 Revenue from Contracts with Customers will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts (and related interpretations). This standard is applicable from 1 January 2018. The Company is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Company's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first applied.

#### (v) IFRS 16 Leases (effective from 1 January 2019)

IFRS 16 Leases will replace the current guidance in IAS 17 and requires all operating leases to be recognised on the balance sheet. The Group is applicable from 1 January 2019. The Company is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Company's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



## NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, foreign exchange risk and aging analysis for credit risk.

Financial risk management is carried out by Audit, Risk and Compliance Committee under guidelines established by the Board. The policies employed by the Company identify and analyse financial risks and establish appropriate procedures and controls to mitigate identified financial risks which includes foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of surplus cash reserves. The Group holds the following financial instruments:

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	191,594	8,931
Trade and other receivables	2,879	2,323
Available-for-sale financial assets	163	33
	194,636	11,287
<b>Financial Liabilities</b>		
Trade and other payables	8,032	2,547
	8,032	2,547

### (a) Market Risk

#### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar (USD).

Foreign exchange risk arises from recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

At this time the Group does not manage its prospective foreign exchange risk with currency hedges.

## NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's exposure to foreign currency risk at the reporting date, expressed in Australian dollars, was as follows:

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
<b>Assets</b>		
- US Dollars	718 <sup>(1)</sup>	1,115
- Saudi Riyals	-	3
	718	1,118
<b>Liabilities</b>		
- US Dollars	4,008	-
- South African Rand	433	-
	4,441	-
<b>Net (deficit)/surplus position</b>	<b>(3,723)</b>	<b>1,118</b>

<sup>(1)</sup> The Group held an additional \$143,7 million in US Dollars (US\$105.0 million) as at 31 December 2015 (30 June 2015: Nil), through a subsidiary with a US Dollar functional currency. The US Dollars will be used to fund the development expenditure for the Balama Project.

### **Group sensitivity**

Based on the financial instruments held at 31 December 2015, had the Australian dollar strengthened/weakened by 5% against the above currencies with all other variables held constant, the Group's post tax loss for the financial period would have been \$177,323 lower / \$195,989 higher (30 June 2015: \$100,476 higher / \$111,052 lower /).

### **(ii) Cash flow and fair value interest rate risk**

The Group's main interest rate risk relates to interest income on cash and cash equivalents. The consolidated entity does not hold any financial assets or liabilities whose fair value would be impacted by interest rates.

### **(b) Credit Risk**

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions.

The Group has no receivables past due as at 31 December 2015 (30 June 2015: Nil).

### **(c) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities 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.

The Company is expected to require additional financing, in addition to that achieved money raised under the capital raising during August 2015, to meet its project development and working capital requirements, general and administrative expenditure and studies relating to future potential projects. The Company has a number of alternatives to raise the necessary funding which may include both debt and equity sources of funding.

## NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

### *Maturities of financial liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### 31 DECEMBER 2015

	LESS THAN 6 MONTHS \$'000	BETWEEN 6 AND 12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL CONTRACT- UAL CASH FLOWS \$'000	CARRYING AMOUNT LIABILITIES \$'000
<b>Non-derivatives</b>							
<i>Non-interest bearing</i>							
Trade and other payables	8,032	-	-	-	-	8,032	8,032
<b>Total non-derivatives</b>	8,032	-	-	-	-	8,032	8,032

#### 30 JUNE 2015

	LESS THAN 6 MONTHS \$'000	BETWEEN 6 AND 12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL CONTRACT- UAL CASH FLOWS \$'000	CARRYING AMOUNT LIABILITIES \$'000
<b>Non-derivatives</b>							
<i>Non-interest bearing</i>							
Trade and other payables	2,547	-	-	-	-	2,547	2,547
<b>Total non-derivatives</b>	2,547	-	-	-	-	2,547	2,547

### (d) Capital Risk Management

When managing capital, the Group's objective is to safeguard the ability to continue as a going concern so that the Group continues to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Management is constantly reviewing and adjusting, where necessary, the capital structure. This involves the use of corporate forecasting models which enable analysis of the Group's financial position including cash flow forecasts to determine future capital management requirements. To ensure sufficient funding, a range of assumptions are modeled to determine sensitivities of the Group's financial position and capital requirements under different circumstances or potential outcomes.

## NOTE 3. FAIR VALUE MEASUREMENT

In accordance with AASB 13, *Fair Value Measurement*, the Company has classified, according to the fair value hierarchy, the Group's available-for-sale financial assets as Level 1 assets. The available-for-sale financial assets comprises listed securities whose fair value is based on quoted prices as at 31 December 2015. There are no Level 2 or 3 assets or liabilities as at 31 December 2015.

The Group did not transfer any fair value amounts between the fair value hierarchies during the six month period ended 31 December 2015.

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

## NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make estimates and judgements that affect the reported amounts in the financial statements.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases judgements, estimates and assumptions on historical experience and other various factors, including expectations of future events which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a higher degree of risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below:

### **(i) Impairment of property, plant and equipment and mine properties and development**

The Group performs an impairment assessment where there is an indication of possible impairment. Impairment assessments are performed using information from the Feasibility Study as well as external sources, including industry analysts and analysis performed by external parties.

The recoverable amount of each cash generating unit is considered to be the higher of fair value less costs of disposal or value-in-use. The Group undertakes cash flow calculations based on a number of critical estimates, assumptions and forward estimates including commodity price expectations, foreign exchange rates, discount rates, reserves and resources and expectations regarding future development costs as well as production, sales and operating costs which are subject to risk and uncertainty.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

### **(ii) Estimation of useful lives of assets**

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets are abandoned or sold and written off or written down.

### **(iii) Determination of mineral resources and ore reserves**

Mineral resources and ore reserves are based on information compiled by a Competent Person as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the JORC 2012 code). There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of ore reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for decommissioning and restoration.

### **(iv) Impairment of exploration and evaluation expenditure**

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to develop and exploit an area of interest or, if not, whether it recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include; the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes and changes to commodity prices and foreign exchange rates.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.



## NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (v) *Taxation*

The Group's accounting policy for taxation requires management judgment in relation to the application of income tax legislation. There are many transactions and calculations undertaken during the ordinary course of business where the ultimate tax determination is uncertain. The Group recognises liabilities for tax, and if applicable taxation investigation or audit issues, based on whether tax will be due and payable. Where the taxation outcome of such matters is different from the amount initially recorded, such difference will impact the current and deferred tax positions during the period in which the assessment is made.

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent upon the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised. In addition, the utilisation of taxation losses also depends on the ability of the tax consolidated entities to satisfy certain tests at the time the losses are recouped. The Group's unrecognised tax losses are disclosed in Note 9.

Certain input tax credits in overseas subsidiaries amounting to \$1,611,936 (30 June 2015: \$895,699) have been recognised at cost in other receivables (Note 12). The Group views these input tax credits as recoverable through a refund or tax credits based on interpretation of the relevant tax and investment laws. Should management determine that some of these input tax credits are not recoverable in future, the Group will reclassify those amounts to the cost base of related assets, or recognise an expense in the profit or loss in the period the determination is made where these costs are in relation to expenses recognised in profit or loss.

### (vi) *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options granted is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted and based upon the assumptions detailed in Note 31. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### (vii) *Provision for decommissioning and restoration costs*

Decommissioning, dismantling of property, plant and equipment and restoration are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including progression of construction/development activities, changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results. These estimates are reviewed annually and adjusted where necessary to ensure that the most up to date data is used.

## NOTE 5. SEGMENT INFORMATION

### (a) Description of segments

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

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

Australia	-	Investing activities and corporate management
Mozambique	-	Mining, mineral exploration, evaluation and development activities

### (b) Geographical information provided to the Executive Management Team

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

## NOTE 5. SEGMENT INFORMATION (CONTINUED)

### (b) Geographical information provided to the Executive Management Team (continued)

	AUSTRALIA \$'000	MOZAMBIQUE \$'000	CONSOLIDATED \$'000
<b>12 MONTHS TO 30 JUNE 2015</b>			
<b>Revenues</b>			
Interest received / receivable	290	6	296
Other income	868	-	868
<b>Total revenues</b>	<b>1,158</b>	<b>6</b>	<b>1,164</b>
<b>Results</b>			
Loss after income tax expense	(10,397)	(1,236)	(11,633)
<i>Included within geographical results:</i>			
Legal and consulting expenses	(1,256)	(200)	(1,456)
Other administration expenses	(1,990)	(264)	(2,254)
Share-based payments expense	(5,741)	-	(5,741)
Other employee benefits expense	(2,314)	(539)	(2,853)
Depreciation and amortisation expense	(414)	(239)	(653)
Exploration and evaluation costs written off	(151)	-	(151)
Discontinued operations	(132)	-	(132)
	443	-	443
<b>AS AT 30 JUNE 2015</b>			
<b>Assets</b>			
Geographical assets	43,241	15,861	59,102
<b>Total assets</b>	<b>43,241</b>	<b>15,861</b>	<b>59,102</b>
<b>Liabilities</b>			
Geographical liabilities	2,218	479	2,697
<b>Total liabilities</b>	<b>2,218</b>	<b>479</b>	<b>2,697</b>

## NOTE 6. REVENUE

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>From continuing operations</b>		
Interest income	402	296
	402	296

## NOTE 7. OTHER INCOME

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
Net foreign exchange gain	5,995	868
	5,995	868

## NOTE 8. EXPENSES

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

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>Depreciation</b>		
Land and buildings	43	22
Computer equipment	12	-
Plant and equipment	236	562
Total depreciation	291	584
<b>Amortisation</b>		
Software	37	69
Total depreciation and amortisation	328	653
<b>Impairment of assets</b>		
Plant and equipment	1,081	-
Available-for-sale financial assets	70	132
Total impairment charges	1,151	132
<b>Employee benefits expense</b>		
Salaries and wages	1,116	2,639
Share-based payments	4,177	5,741
Employee entitlements	71	59
Defined contribution superannuation expense	79	155
Total employee benefits expenses	5,443	8,594
<b>Other expenses</b>		
Legal expenses	491	573
Consulting expenses	743	883



## NOTE 9. INCOME TAX EXPENSE

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss before income tax expense from continuing operations	(3,258)	(12,076)
Profit/(loss) before income tax (expense) / benefit from discontinued operations	-	443
	(3,258)	(11,633)
Tax at the Australian tax rate of 30%	(977)	(3,490)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	1,253	1,722
- Reserves released to profit on demerger of Jacana Minerals Limited	-	(237)
- Other non-deductible expenses	88	9
- Losses incurred by foreign controlled entities	513	302
- Movement in unrecognised temporary differences	(659)	(130)
- Under/(Over) provision in the prior period	55	-
- Current period taxation losses not recognised as deferred tax assets	-	1,824
- Utilisation of previously unrecognised taxation losses	(273)	-
Income tax expense	-	-
<b>(b) Taxation losses and temporary differences not recognised</b>		
Unused taxation losses for which no deferred tax asset has been recognised	16,668	16,914
Potential taxation benefit at 30%	5,000	5,074
Net temporary differences not brought to account	2,305	372

The taxation benefits of taxation losses and temporary differences not brought to account will only be obtained if:

- > the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- > the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
- > no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

## NOTE 10. DISCONTINUED OPERATIONS

### (a) Demerger of Jacana Minerals Limited

On 15 October 2014, Syrah Resources Limited demerged Jacana Minerals Limited and its wholly owned subsidiary Jacana Resources (Tanzania) Limited. That business is now owned and operated by Jacana Minerals Limited as a separate and independent holding Company, which is unlisted.

The demerger of Jacana Minerals Limited and steps to implement the demerger were approved by Syrah shareholders at a general meeting held on 1 October 2014. Following the successful outcome of this shareholder vote, the final separation of Jacana Minerals Limited occurred on 15 October 2014. As a consequence of the demerger, Jacana Minerals is presented in discontinued operations in the comparative results for the financial year ended 30 June 2015.

The demerger was done by way of an in-specie distribution of shares in Jacana Minerals Limited to the shareholders of Syrah Resources Limited.

### (b) Financial information

Financial information for the Group's discontinued operations for the reporting period is summarised in the tables below.

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>Financial performance information</b>		
Administration costs	-	(50)
Employee benefits expense	-	(108)
Legal and consulting expense	-	(185)
Depreciation and amortisation expense	-	(4)
Total expenses	-	(347)
Loss before income tax expense	-	(347)
Income tax expense	-	-
Loss after income tax expense	-	(347)
Profit on demerger	-	790
Income tax expense	-	-
Profit on demerger after income tax expense	-	790
Profit/(loss) after income tax expense from discontinued operations	-	443
<b>Cash flow information</b>		
Net cash used in operating activities	-	(343)

## NOTE 10. DISCONTINUED OPERATIONS (CONTINUED)

### (b) Financial information (continued)

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>Carrying amounts of assets and liabilities demerged</b>		
Cash and cash equivalents	-	61
Trade and other receivables	-	13
Property, plant and equipment	-	86
Exploration and evaluation	-	6,096
Total assets	-	6,256
Net assets	-	6,256
<b>Details of the demerger</b>		
Total amount attributed to demerger distribution	-	6,091
Add: Investment retained in Jacana Minerals Limited	-	165
<b>Sub-total</b>	-	6,256
Less: Carrying amount of net assets demerged	-	(6,256)
Add: foreign exchange gains released to profit on demerger	-	790
Profit on demerger before tax income	-	790
Income tax expense	-	-
<b>Profit on demerger after income tax</b>	-	790

## NOTE 11. CASH AND CASH EQUIVALENTS

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Cash at bank and in hand	151,554	8,891
Deposit at call	40,040	40
	191,594	8,931

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 31 December 2015 the weighted average interest rate on the Australian dollar accounts and deposits was 2.7% (30 June 2015: 1.3%) and the weighted average interest rate on the United States dollar accounts was 0.1% (30 June 2015: 0.0%).

### (a) Risk exposure

The Group's exposure to foreign exchange and interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

## NOTE 12. TRADE AND OTHER RECEIVABLES

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Other receivables	2,792	2,091
Prepayments	1,719	125
Security deposits <sup>(1)</sup>	87	107
	4,598	2,323

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

### (a) Impairment of receivables

The Group has no receivables past due as at 31 December 2015, nor does it consider there to be any potential impairment loss on these receivables.

### (b) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2.

### (c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the credit quality of the Group's trade and other receivables.

## NOTE 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Listed securities		
- Australian listed securities	163	33
	163	33
<b>Movements in available-for-sale financial assets</b>		
Movements in available-for-sale financial assets are set out below:		
Balance at the beginning of year	33	-
Additions	200	165
Impairment expense	(70)	(132)
Balance at the end of year	163	33

## NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS \$'000	PLANT AND EQUIPMENT \$'000	COMPUTER EQUIPMENT \$'000	TOTAL \$'000
<b>At 1 July 2015</b>				
Cost	1,690	4,037	108	5,835
Accumulated depreciation	(21)	(862)	(51)	(934)
Net book amount	1,669	3,175	57	4,901
<b>6 months to 31 December 2015</b>				
Balance at beginning of period	1,669	3,175	57	4,901
Additions (see note (a))	208	-	215	423
Disposals (at net book value)	-	(9)	(3)	(12)
Depreciation charge	(43)	(388)	(12)	(443)
Impairment charge	-	(1,081)	-	(1,081)
Exchange differences	(182)	(178)	(9)	(369)
Balance at end of period	1,652	1,519	248	3,419
<b>At 31 December 2015</b>				
Cost	1,712	3,745	284	5,741
Accumulated depreciation and impairment	(60)	(2,226)	(36)	(2,322)
Net book amount	1,652	1,519	248	3,419
<b>At 1 July 2014</b>				
Cost	336	2,040	-	2,376
Accumulated depreciation	(73)	(385)	-	(458)
Net book amount	263	1,655	-	1,918
<b>12 months to 30 June 2015</b>				
Balance at beginning of period	263	1,655	-	1,918
Additions	1,518	2,229	-	3,747
Disposals (at net book value)	-	(86)	-	(86)
Depreciation charge	(22)	(565)	-	(587)
Transfers (at net book value)	-	(57)	57	-
Exchange differences	(90)	(1)	-	(91)
Balance at end of period	1,669	3,175	57	4,901
<b>At 30 June 2015</b>				
Cost	1,690	4,037	108	5,835
Accumulated depreciation	(21)	(862)	(51)	(934)
Net book amount	1,669	3,175	57	4,901



## NOTE 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (a) Assets under construction

Capitalised costs in relation to construction of the Balama Graphite Project at 31 December 2015 are included in mine properties and development.

### (b) Depreciation charge

Of the total depreciation charge for the period ending 31 December 2015, \$236,359 was charged to profit or loss, and \$152,120 was capitalised to mine properties and development. For the financial year ended 30 June 2015 all depreciation was charged to profit or loss.

### (c) Impairment of assets

The impairment expense of \$1,081,377 (30 June 2015: NIL) relates to the write-off of mobile equipment that is no longer expected to be used in the manner and to the extent originally planned. The recoverable value of these assets has been determined by reference to the fair value less costs of disposal.

## NOTE 15. MINE PROPERTIES AND DEVELOPMENT

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Mine properties and development (at cost)	42,972	41,918
Mines under construction	18,707	-
Total mine properties and development	61,679	41,918

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

	MINE PROPERTIES AND DEVELOPMENT \$'000	MINES UNDER CONSTRUCTION \$'000	TOTAL \$'000
<b>6 months to 31 December 2015</b>			
Balance at beginning of period	41,918	-	41,918
Current period expenditure capitalised	2,139	17,688	19,827
Provision for decommissioning and restoration	-	1,411	1,411
Exchange differences	(1,085)	(392)	(1,477)
Balance at end of period	42,972	18,707	61,679
<b>12 months to 30 June 2015</b>			
Balance at beginning of period	-	-	-
Transfer from exploration and evaluation	41,918	-	41,918
Balance at end of period	41,918	-	41,918

## NOTE 16. INTANGIBLES

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Software (at cost)	236	310
Accumulated amortisation	(97)	(125)
Net book amount	139	185
<i>Movements in intangibles are set out below:</i>		
Balance at beginning of period	185	19
Current period expenditure	-	235
Disposals (at net book value)	(9)	-
Amortisation expense	(37)	(69)
Balance at end of period	139	185

## NOTE 17. EXPLORATION AND EVALUATION

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Exploration & evaluation properties (at cost)	1,218	811
	1,218	811
<i>Movements in exploration and evaluation expenditure are set out below:</i>		
Balance at beginning of period	811	33,149
Current period expenditure capitalised	407	15,104
Transfer to mine properties and development	-	(41,918)
Demerger of Jacana Minerals Limited	-	(6,096)
Expenditure written-off	-	(151)
Exchange differences	-	723
Balance at end of period	1,218	811

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.

The Directors concluded that the technical feasibility and commercial viability of the Balama Graphite Project was demonstrable and accordingly the carried forward capitalised exploration and evaluation expenditures were reclassified to mine properties and development as at 30 June 2015. The remaining 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.

## NOTE 18. TRADE AND OTHER PAYABLES

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Trade payables and accruals	7,664	2,089
Other payables	368	458
	8,032	2,547

### (a) Risk exposure

Trade payables are non-interest bearing and are normally settled on repayment terms between 7 and 30 days. Information about the Group's exposure to foreign exchange risk is provided in Note 2.

## NOTE 19. PROVISIONS

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
<b>Current</b>		
Employee benefits	182	141
	182	141
<b>Non-current</b>		
Decommissioning and restoration	1,411	-
Employee benefits	12	9
	1,423	9

### (a) Information regarding provisions and significant estimates

#### *Employee benefits*

Employee benefits provisions relate to employee entitlements such as annual leave and long service leave.

#### *Decommissioning and restoration*

Provision is made for mine site restoration costs, including dismantling and removal of plant and buildings, and environmental rehabilitation costs at the end of mine operations in accordance with the mining permit requirements for the Balama project. The provision is the present value of estimated future expenditure to restore the current level of disturbance during the development phase. These costs have been capitalised as part of mine properties and development and will be amortised over the estimated life of the mine.

Additional decommissioning and restoration provisions required as a result of continuing development activities or future operations will be recognised in the future as and when new areas are disturbed or new structures built, and the obligation to remediate the affected areas arises.

## NOTE 19. PROVISIONS (CONTINUED)

### (b) Movements in provisions

	DECOMMISSIONING AND RESTORATION \$'000	EMPLOYEE BENEFITS \$'000	TOTAL \$'000
<b>6 months to 31 December 2015</b>			
Balance at beginning of period	-	150	150
Additional provisions recognised:			
- Capitalised to mine properties and development	1,411	-	1,411
- Net increase in employee benefits charged to profit or loss	-	44	44
Balance at end of period	1,411	194	1,605
<b>12 months to 30 June 2015</b>			
Balance at beginning of period	-	99	99
Additional provisions recognised:			
- Net increase in employee benefits charged to profit or loss	-	51	51
Balance at end of period	-	150	150

## NOTE 20. ISSUED CAPITAL

	31 DECEMBER 2015 SHARES	30 JUNE 2015 SHARES	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Issued and fully paid ordinary shares	231,267,154	165,223,076	284,430	80,910
	231,267,154	165,223,076	284,430	80,910

### (a) Movements in ordinary share capital

DETAILS	DATE	NUMBER OF SHARES	ISSUE PRICE	\$'000
<b>6 months to 31 December 2015</b>				
Balance at beginning of period		165,223,076	-	80,910
Exercise of options	31 July 2015	375,000	\$0.22	83
Share issue	13 August 2015	50,726,039	\$3.25	164,860
Share issue	2 September 2015	14,137,746	\$3.25	45,948
Exercise of options	24 November 2015	125,000	-	-
Exercise of options	1 December 2015	125,000	\$0.17	21
Exercise of options	8 December 2015	300,001	\$0.17	51
Share issue	17 December 2015	255,292	\$2.61	666
Transfers from share based payment reserve on conversion of options				605
Capital raising costs				(8,714)
<b>Balance at end of period</b>		<b>231,267,154</b>		<b>284,430</b>

## NOTE 20. ISSUED CAPITAL (CONTINUED)

### (a) Movements in ordinary share capital (continued)

DETAILS	DATE	NUMBER OF SHARES	ISSUE PRICE	\$'000
<b>12 months to 30 June 2015</b>				
Balance at beginning of period		162,500,614	-	81,444
Exercise of options	15 July 2014	75,000	\$0.26	19
Exercise of options	15 July 2014	5,000	\$2.21	11
Exercise of options	18 July 2014	425,000	\$0.26	110
Exercise of options	29 July 2014	10,000	\$0.26	3
Exercise of options	8 August 2014	454,462	\$0.26	118
Exercise of options	1 September 2014	15,000	\$2.21	33
Exercise of options	3 October 2014	650,000	\$0.26	169
Demerger distribution	15 October 2014	-	-	(6,559)
Exercise of options	27 January 2015	75,000	\$0.22	16
Exercise of options	19 March 2015	13,000	\$2.17	28
Exercise of options	23 March 2015	1,000,000	\$3.83	3,830
Transfers from share-based payments reserve on conversion of options				1,712
Capital raising costs				(24)
<b>Balance at end of period</b>		<b>165,223,076</b>		<b>80,910</b>

### (b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised share capital.

### (c) Share options

The Company has a share-based payment scheme under which options to subscribe for the Company's shares have been granted to Non-executive Directors, Executives and selected Senior Employees. Information in relation to the Group's Long Term Incentive Plan and Share Option Plan including details of options issued and exercised during the financial period and options outstanding at the end of the financial period are set out in Note 31.

There are no voting or dividend rights attached to share options. Voting and dividend rights will attach to the ordinary shares when the options have been exercised.

### (d) Share buy-back

There is no current on-market share buy-back.

### (e) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may return capital to shareholders, or issue new shares.



## NOTE 21. RESERVES

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Foreign currency reserve	(8,041)	(975)
Share-based payments reserve	9,877	6,305
	1,836	5,330

### (a) Movements in reserves

Movements in each class of reserve are set out below:

	FOREIGN CURRENCY RESERVE \$'000	SHARE-BASED PAYMENTS RESERVE \$'000	TOTAL \$'000
<b>6 months to 31 December 2015</b>			
Balance at beginning of period	(975)	6,305	5,330
Foreign currency translation	(7,066)	-	(7,066)
Share-based payments	-	4,177	4,177
Exercise of options	-	(605)	(605)
Balance at end of period	(8,041)	9,877	1,836
<b>12 months to 30 June 2015</b>			
Balance at beginning of period	(508)	2,276	1,768
Foreign currency translation	323	-	323
Share-based payments	-	5,741	5,741
Exercise of options	-	(1,712)	(1,712)
Recognition of options issued on the Jacana acquisition	(790)	-	(790)
Balance at end of period	(975)	6,305	5,330

### (b) Nature and purpose of reserves

#### *Foreign currency reserve*

Exchange differences arising on translation of a foreign controlled entity 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.

#### *Share-based payments reserve*

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

## NOTE 22. ACCUMULATED LOSSES

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
<i>Movements in accumulated losses are set out below</i>		
Balance at beginning of period	(29,835)	(18,670)
Loss for the period	(3,258)	(11,633)
Demerger of Jacana Minerals Limited	-	468
Balance at the end of period	(33,093)	(29,835)

## NOTE 23. DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial period.

## NOTE 24. 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:

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Mine properties and development		
- Mines under construction	44,657	-
Total capital commitments	44,657	-

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

### (b) Operating lease expenditure commitments

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

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Within one year	126	115
After one year but not more than five years	59	2
Minimum lease payments	185	117

### (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:

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
Within one year	29	209
After one year but not more than five years	157	691
	186	900

### (d) Contingencies

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

## NOTE 25. RELATED PARTY TRANSACTIONS

### (a) Ultimate parent

Syrah Resources Limited is the ultimate holding company of the Group.

### (b) Subsidiaries

Interests in subsidiaries are set out in Note 27.

### (c) Key management personnel compensation

	6 MONTHS TO 31 DECEMBER 2015 \$	12 MONTHS TO 30 JUNE 2015 \$
Short-term employee benefits	716,043	1,197,932
Post-employment benefits	44,563	68,765
Long term benefits	7,550	3,087
Share-based payments	2,975,671	4,614,644
	3,743,827	5,884,428

Detailed remuneration disclosures are provided in the remuneration report on pages 31 to 44.

### (d) Transactions with related parties

Transactions with related parties are set out below:

	6 MONTHS TO 31 DECEMBER 2015 \$	12 MONTHS TO 30 JUNE 2015 \$
<b>Purchases of goods and services</b>		
Legal services provided by Sal & Caldeira Advogados, Lda <sup>(1)</sup>	513,547	310,142
Accounting and company secretarial services provided by Leydin Freyer <sup>(2)</sup>	-	123,950
Consultancy services provided by Proman Consulting Engineers Pty Ltd <sup>(3)</sup>	27,500	62,500
Consultancy services provided by T Eadie <sup>(4)</sup>	-	99,000
Office lease charges paid to Copper Strike Limited <sup>(5)</sup>	-	100,184
	553,857	695,776

<sup>(1)</sup> Represents legal services provided to the Company by Sal & Caldeira Advogados, Ltd in Mozambique. J Caldeira is a Non-Executive Director of the Company and is a Senior Partner at Sal & Caldeira Advogados, Lda.

<sup>(2)</sup> Represents accounting and company secretarial services provided to the Company by Leydin Freyer Corp Pty Ltd. M Leydin, Company Secretary, is a principal and has a beneficial interest in Leydin Freyer Corp Pty Ltd. M Leydin ceased to be classified as Key Management Personnel from 5 January 2015.

<sup>(3)</sup> Represents consultancy services provided to the Company by R Brans who is a Non-Executive Director of the Company.

<sup>(4)</sup> Represents consultancy services provided to the Company by T Eadie as part of the demerger of Jacana Minerals Limited. T Eadie was Non-Executive Chairman of the Company until his resignation on 2 October 2014.

<sup>(5)</sup> Represents office lease charges paid to Copper Strike Limited a shareholder of Syrah Resources Limited. T Eadie who was Non-Executive Chairman of the Company until his resignation on 2 October 2014 is also Non-Executive Chairman of Copper Strike Limited.

## NOTE 25. RELATED PARTY TRANSACTIONS (CONTINUED)

### (e) Outstanding balances arising from purchases of goods and services

	31 DECEMBER 2015 \$	30 JUNE 2015 \$
<b>Trade and other payables</b>		
Related parties	77,266	73,201
	77,266	73,201

## NOTE 26. REMUNERATION OF AUDITORS

During the financial period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>(a) PricewaterhouseCoopers Australia</b>		
<i>Audit of group financial statements:</i>		
PwC Australian firm	82	-
Network firms of PwC Australian firm	43	-
Total remuneration for audit services	125	-
<i>Non-assurance services</i>		
Tax compliance services	23	-
Tax consulting services	308	-
Total remuneration for non-assurance services	331	-
<b>Total remuneration paid to PricewaterhouseCoopers</b>	<b>446</b>	<b>-</b>
<b>(b) Grant Thornton Audit Pty Ltd</b>		
Audit and review of financial reports	-	72
<b>Total remuneration of Grant Thornton</b>	<b>-</b>	<b>72</b>

## NOTE 27. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE GROUP	
		31 DECEMBER 2015 %	30 JUNE 2015 %
Jacana Resources Limited	Australia	100	100
Syrah Resources (KSA) Pty Ltd	Australia	100	100
Twigg Exploration and Mining, Limitada	Mozambique	100	100
Jacana Resources (Zambia) Ltd	Zambia	100	100
Syrah Resources Saudi Arabia LLC	Saudi Arabia	100	100
Syrah Resources Group Holdings Pty Ltd <sup>(1)</sup>	Australia	100	-
Syrah Resources and Trading DMCC <sup>(2)</sup>	United Arab Emirates	100	-

<sup>(1)</sup> Syrah Resources Group Holdings Pty Ltd was incorporated on 6 November 2015.

<sup>(2)</sup> Syrah Resources and Trading DMCC was incorporated on 10 September 2015.



## NOTE 28. DEED OF CROSS GUARANTEE

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Syrah Resources Limited  
Jacana Resources Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and a directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Syrah Resources Limited, they also represent the 'Extended Closed Group'.

### (a) Consolidated statement of comprehensive income and summary of movements in consolidated accumulated losses

Set out below is a consolidated statement comprehensive income and a summary of movements in consolidated accumulated losses for the current or previous financial period for the 'Closed Group'.

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<i>Consolidated statement of comprehensive income</i>		
Revenue from continuing operations	392	290
Other income	5,914	868
<b>Expenses</b>		
Legal and consulting expense	(1,378)	(1,256)
Administration expenses	(937)	(2,826)
Employee benefits expense	(5,431)	(8,054)
Depreciation and amortisation expense	(44)	(405)
Exploration and evaluation costs written off	(2)	(2)
Impairment of available-for-sale financial assets	(70)	(132)
<b>Loss for the period before income tax expense</b>	<b>(1,556)</b>	<b>(11,517)</b>
Income tax expense	-	-
<b>Loss after income tax expense for the period</b>	<b>(1,556)</b>	<b>(11,517)</b>
<b>Total comprehensive income for the period</b>	<b>(1,556)</b>	<b>(11,517)</b>
<i>Summary of movements in consolidated accumulated losses</i>		
Balance at beginning of period	(27,140)	(15,623)
Loss after income tax expense for the period	(1,556)	(11,517)
Balance at end of period	(28,696)	(27,140)

## NOTE 28. DEED OF CROSS GUARANTEE (CONTINUED)

### (b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at the end of the current and previous financial period for the 'Closed Group'.

	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
<b>Current assets</b>		
Cash and cash equivalents	46,917	8,891
Trade and other receivables	921	889
Available-for-sale financial assets	163	33
<b>Total current assets</b>	<b>48,001</b>	<b>9,813</b>
<b>Non-current assets</b>		
Property, plant and equipment	836	899
Intangibles	137	182
Mine properties and development	42,639	19,798
Exploration and evaluation	1,218	811
Investments	178,715	30,793
<b>Total non-current assets</b>	<b>223,545</b>	<b>52,483</b>
<b>Total assets</b>	<b>271,546</b>	<b>62,296</b>
<b>Current liabilities</b>		
Trade and other payables	5,768	2,069
Provisions	154	141
<b>Total current liabilities</b>	<b>5,922</b>	<b>2,210</b>
<b>Non-current liabilities</b>		
Provisions	13	9
<b>Total non-current liabilities</b>	<b>13</b>	<b>9</b>
<b>Total liabilities</b>	<b>5,935</b>	<b>2,219</b>
<b>Net assets</b>	<b>265,611</b>	<b>60,077</b>
<b>Equity</b>		
Issued capital	284,430	80,911
Reserves	9,877	6,306
Accumulated losses	(28,696)	(27,140)
<b>Total equity</b>	<b>265,611</b>	<b>60,077</b>

## NOTE 29. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
Loss after income tax expense for the year	(3,258)	(11,633)
<i>Adjustments for:</i>		
Depreciation and amortisation	328	656
Share-based payments	4,177	5,741
Exploration and evaluation costs written off	-	151
Impairment of assets	1,151	132
Net foreign exchange gain	(5,995)	-
Reserves released to profit on demerger of Jacana Minerals Limited	-	(790)
<i>Changes in operating assets and liabilities:</i>		
(Increase) / decrease in trade and other receivables	(443)	(271)
Increase / (decrease) in trade and other payables	287	(133)
Increase / (decrease) in provisions	44	42
Net cash inflow / (outflow) from operating activities	(3,709)	(6,105)

## NOTE 30. EARNINGS PER SHARE

	6 MONTHS TO 31 DECEMBER 2015 CENTS	12 MONTHS TO 30 JUNE 2015 (ADJUSTED) <sup>(1)</sup> CENTS
<b>Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	(1.51)	(7.26)
From discontinued operations attributable to the ordinary equity holders of the Company	-	0.27
Total basic earnings per share attributable to the ordinary equity holders of the Company	(1.51)	(6.99)
<b>Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	(1.51)	(7.26)
From discontinued operations attributable to the ordinary equity holders of the Company	-	0.27
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(1.51)	(6.99)

<sup>(1)</sup> Basic earnings per share for the 12 months to 30 June 2015 has been adjusted as a result of the pro-rata accelerated renounceable Entitlement Offer as announced on 3 August 2015 where eligible shareholders were able to subscribe for 4 new Syrah shares for every 19 existing shares.

## NOTE 30. EARNINGS PER SHARE (CONTINUED)

### (a) Reconciliations of earnings used in calculating earnings per share

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>Basic earnings per share</b>		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	(3,258)	(12,076)
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from discontinued operations	-	443
Total profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(3,258)	(11,633)
<b>Diluted earnings per share</b>		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share from continuing operations	(3,258)	(12,076)
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share from discontinued operations	-	443
Total profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	(3,258)	(11,633)

### (b) Weighted average number of shares used as the denominator

	6 MONTHS TO 31 DECEMBER 2015 NUMBER	12 MONTHS TO 30 JUNE 2015 (ADJUSTED) <sup>(1)</sup> NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	215,758,310	166,225,691
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	215,758,310	166,225,691

<sup>(1)</sup> The weighted average number of shares for the 12 months to 30 June 2015 has been adjusted as a result of the pro-rata accelerated renounceable Entitlement Offer as announced on 3 August 2015 where eligible shareholders were able to subscribe for 4 new Syrah shares for every 19 existing shares.

#### Options

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights to options are non-dilutive as the group is loss making.

## NOTE 31. SHARE-BASED PAYMENTS

### (a) Types of share based payment plans

The Group has a Long Term Incentive Plan and a Share Option Plan in existence.

These share based payment plans form an important part of a comprehensive remuneration strategy for the Company's employees and directors, and aligns their interests with those of shareholders by linking rewards to the long term success of the Company and its financial performance.

#### (i) Long Term Incentive Plan (LTIP)

The LTIP was established and approved by shareholders at an Annual General Meeting held on 13 November 2015 and enables the Company, at the discretion of the Board of Directors, to offer employees and directors a number of equity related interests, including options, performance rights and shares.

#### (ii) Share option plan (SOP)

The SOP was established and approved by shareholders at an Annual General Meeting held on 19 November 2013 and enables the Company, at the discretion of the Board of Directors, to offer employees and directors options. No further options will be issued under this plan.

### (b) Summary and movement of Options on issue

The table below summarises the number, weighted average exercise prices and movements in options issued during the financial period:

	6 MONTHS TO 31 DECEMBER 2015		12 MONTHS TO 30 JUNE 2015	
	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE OPTION <sup>(1)</sup>	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE OPTION <sup>(2)</sup>	NUMBER OF OPTIONS
Balance at beginning of the period	\$4.56	6,622,005	\$1.85	4,294,467
Granted during the period	\$4.64	1,250,000	\$5.32	5,050,000
Exercised during the period <sup>(3)</sup>	\$0.15	(925,001)	\$1.57	(2,722,462)
Expired during the period	\$0.17	(4)	-	-
Balance at end of the period	\$5.17	6,947,000	\$4.61	6,622,005
Vested and exercisable at end of period	\$5.89	3,572,000	\$2.33	1,572,005

<sup>(1)</sup> Effective from 9 September 2015, the exercise price of options were reduced by \$0.05 (5 cents) per option in accordance with the terms of the options, ASX Listing Rule 3.11.2 and the formula contained in ASX Listing Rule 7.22.3 as a result of the issuance of shares from the 4 for 19 accelerated renounceable entitlement offer. The weighted average exercise price per share option as at 30 June 2015 does not incorporate this change.

<sup>(2)</sup> On 15 October 2014, the exercise price of options were reduced on \$0.04 (4 cents) per option in accordance with the term of the options, ASX Listing Rules 3.11.2 and the formula contained in ASX Listing Rule 7.22.3 as a result of the demerger of Jacana Minerals Limited and the 3 for 10 Jacana Minerals share distribution. The weighted average exercise prices per share option for the year ended 30 June 2015 incorporates this change.

<sup>(3)</sup> The weighted average share price at the date of exercise of options exercised during the period ended 31 December 2015 was \$3.53 (30 June 2015: \$4.48)

Each option is convertible into one ordinary share. There are no voting or dividend rights attached to the options. Voting and dividend rights will attach to the ordinary shares when the options have been exercised.



## NOTE 31. SHARE-BASED PAYMENTS (CONTINUED)

### (b) Summary and movement of Options on issue (continued)

The outstanding balance of options as at 31 December 2015 is represented by:

#### *Options issued as part of the SOP*

5,947,000 options with an exercise price ranging from \$nil to \$6.26

#### *Options issued as part of the LTIP*

1,000,000 options with an exercise price of \$4.71

Share options outstanding at the end of the financial period have the following expiry date and exercise prices:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE <sup>(1) (2)</sup>	SHARE OPTIONS 31 DECEMBER 2015	SHARE OPTIONS 30 JUNE 2015
15 December 2011	15 December 2015	\$0.17	-	800,005
16 July 2012	16 July 2016	\$2.12	22,000	22,000
19 May 2014	19 May 2019	\$5.41	500,000	500,000
12 June 2014	12 June 2016	\$2.81	250,000	250,000
2 October 2014	2 October 2019	\$6.26	2,800,000	2,800,000
28 January 2015	28 January 2018	\$4.08	1,200,000	1,200,000
27 April 2015	27 April 2017	— <sup>(3)</sup>	125,000	250,000
7 May 2015	7 May 2018	\$5.40	500,000	500,000
9 June 2015	9 June 2018	\$4.99	300,000	300,000
26 October 2015	26 October 2020	\$4.38	250,000	-
1 December 2015	1 December 2018	\$4.71	1,000,000	-
<b>TOTAL Options</b>			<b>6,947,000</b>	<b>6,622,005</b>
Weighted average remaining contractual life of options outstanding at the end of the period			3.03 years	1.72 years

<sup>(1)</sup> Effective from 9 September 2015, the exercise price of options was reduced by \$0.05 (5 cents) per option in accordance with the term of the options, ASX Listing Rule 3.11.2 and the formula contained in ASX Listing Rule 7.22.3 as a result of the issuance of shares from a 4 for 19 accelerated renounceable entitlement offer. The exercise price included in the above table incorporates this change.

<sup>(2)</sup> On 15 October 2014, the exercise price of options was reduced by \$0.04 (4 cents) per option in accordance with the term of the options, ASX Listing Rules 3.11.2 and the formula contained in ASX Listing Rule 7.22.3 as a result of the demerger of Jacana Minerals Limited and the 3 for 10 Jacana Minerals Limited share distribution. The exercise price included in the above table incorporates this change.

<sup>(3)</sup> Represents options that were granted to a selected senior employee for NIL consideration with exercise conditional on the achievement of certain performance hurdles that are aligned with the creation of shareholder value.

#### *Fair value of options granted*

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date are as follows:

GRANT DATE	EXPIRY DATE	SHARE PRICE AT GRANT DATE	EXERCISE PRICE	EXPECTED VOLATILITY	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE AT GRANT DATE
26 October 2015	26 October 2015	\$3.13	\$4.38	52.70%	-	1.857%	\$1.18
1 December 2015	1 December 2018	\$3.48	\$4.71	52.65%	-	2.080%	\$0.96

## NOTE 31. SHARE-BASED PAYMENTS (CONTINUED)

### (c) Summary and movement of Performance Rights on issue

The table below summarises the number and movements in performance rights issued during the financial period:

	6 MONTHS TO 31 DECEMBER 2015 NUMBER	12 MONTHS TO 30 JUNE 2015 NUMBER
Balance at the beginning of the period	-	-
Granted during the period	100,707	-
Vested during the period	-	-
Lapsed during the period	-	-
Forfeited during the period	-	-
Balance at the end of the period	100,707	-

Performance rights on issue as part of the LTIP have a nil exercise price.

During the financial period 100,707 performance rights were issued to selected Senior Employees and will be subject to performance testing at 31 December 2017.

### (d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the financial period as part of employee benefit expense were as follows:

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
Options issued under the LTIP and SOP	3,315	5,741
Performance rights issued under the LTIP	95	-
Shares to be issued under the LTIP <sup>(1)</sup>	767	-
	4,177	5,741

<sup>(1)</sup> Represents amount expensed for a once-off bonus of 142,745 shares awarded to T. Kumova (subject to shareholder approval) and 75,493 shares awarded to selected senior employees (issued on 19 February 2016) in recognition of the significant contribution made to ensure the finalisation of the feasibility study, the success of the Company's fundraising activities, the commencement of mine development and the on-going work to establish key sales and marketing targets as the mine moves towards commissioning.

## NOTE 32. PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	6 MONTHS TO 31 DECEMBER 2015 \$'000	12 MONTHS TO 30 JUNE 2015 \$'000
<b>Balance sheet</b>		
Current assets	48,001	9,812
<b>Total assets</b>	<b>271,627</b>	<b>62,376</b>
Current liabilities	5,922	2,209
<b>Total liabilities</b>	<b>5,934</b>	<b>2,219</b>
Shareholders' equity		
Issued capital	284,430	80,910
Share-based payments reserve	9,877	6,305
Accumulated losses	(28,614)	(27,058)
<b>Total equity</b>	<b>265,693</b>	<b>60,157</b>
<b>Loss after income tax for the year</b>	<b>(1,556)</b>	<b>(11,465)</b>
<b>Total comprehensive income for the year</b>	<b>(1,556)</b>	<b>(11,465)</b>

### (b) Contingent liabilities of the parent entity

The parent entity has no contingent liabilities as at 31 December 2015 and 30 June 2015.

## NOTE 33. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No event has occurred subsequent to 31 December 2015 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 financial statements and notes set out on pages 48 to 92 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, 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 31 December 2015 and of its performance for the six month 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, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 28 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 28.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

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



**James Askew**  
Chairman



**Tolga Kumova**  
Managing Director

Melbourne, Australia

31 March 2016

# INDEPENDENT AUDITOR'S REPORT



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SYRAH RESOURCES > ANNUAL REPORT 2015

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

### ***Report on the financial report***

We have audited the accompanying financial report of Syrah Resources Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 1 July 2015 to 31 December 2015, a summary of significant accounting policies, other 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 at the period's end or from time to time during the financial period.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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#### *Auditor's opinion*

In our opinion, the financial report of Syrah Resources Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the period ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 31 to 44 of the directors' report for the period ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Auditor's opinion*

In our opinion, the remuneration report of Syrah Resources Limited for the period ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

John O'Donoghue  
Partner

Melbourne  
31 March 2016



# SHAREHOLDER INFORMATION

## ADDITIONAL ASX INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 29 March 2016 except where otherwise indicated.

## EQUITY SECURITY HOLDERS

### Top 20 largest quoted security holders as at 29 March 2016

The names of the twenty largest security holders of quoted equity securities are listed below:

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,039,448	14.71
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	32,168,189	13.90
3.	CITICORP NOMINEES PTY LIMITED	29,532,386	12.77
4.	NATIONAL NOMINEES LIMITED	13,780,350	5.96
5.	COPPER STRIKE LIMITED	11,000,005	4.75
6.	KITARA INVESTMENTS PTY LTD	10,213,015	4.41
7.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,930,617	3.00
8.	CREDIT SUISSE SECURITIES (EUROPE) LTD	6,350,000	2.74
9.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD	5,988,371	2.59
10.	HARALAMBOS HATZIKYRIAZIS	4,223,888	1.83
11.	BNP PARIBAS NOMINEES PTY LTD	3,592,000	1.55
12.	BNP PARIBAS NOMS PTY LTD	3,329,478	1.44
13.	CS FOURTH NOMINEES PTY LIMITED	3,300,000	1.43
14.	UBS NOMINEES PTY LTD	2,818,576	1.22
15.	GONDWANA INVESTMENT GROUP PTY LTD	2,777,778	1.20
16.	BUPRESTID PTY LTD	1,895,000	0.82
17.	CITICORP NOMINEES PTY LIMITED	1,743,117	0.75
18.	MR TOLGA KUMOVA	1,530,542	0.66
19.	FINANCE ASSOCIATES PTY LTD	1,400,000	0.61
20.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	1,360,305	0.59
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b>		<b>177,973,065</b>	<b>76.93</b>
<b>Total Remaining Holders Balance</b>		<b>53,369,582</b>	<b>23.07</b>

### Unquoted equity securities as at 29 March 2016

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options over ordinary shares	6,947,000	13
Performance rights over ordinary shares	100,707	2

## DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 to 1,000	1,268	625,469	0.27
1,001 to 5,000	1,392	3,692,101	1.60
5,001 to 10,000	483	3,841,002	1.66
10,001 to 100,000	632	18,415,455	7.96
100,001 and over	104	204,768,620	88.51
	3,879	231,342,647	100.00

The number of shareholders holding less than a marketable parcel of Ordinary Shares at 29 March 2016 was 212.

## VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

## ORDINARY SHARES

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

## SUBSTANTIAL SHAREHOLDERS

An extract of the Company's Register of Substantial Shareholders as at 29 March 2016 is set out below:

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,039,448	14.71
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	32,168,189	13.90
3.	CITICORP NOMINEES PTY LIMITED	29,532,386	12.77
4.	NATIONAL NOMINEES LIMITED	13,780,350	5.96

## TENEMENT SCHEDULE

as at 31 March 2016

DESCRIPTION	TENEMENT NUMBER	INTEREST OWNED
Balama	6432C	100%
Balama <sup>(1)</sup>	5684L	100%
Botswana	347/2014	100%
Botswana	348/2014	100%
Botswana	349/2014	100%
Botswana	350/2014	100%
Sasare North	17904-HQ-LPL	100%

- <sup>(1)</sup> Syrah has entered into a tenement sale agreement (TSA) for the acquisition of a tenement (Tenement) in Balama from a third party (Seller). Under the TSA, Syrah may be required to issue to the Seller, as part of the contingent consideration for the acquisition of the Tenement, up to US\$2.0 million of fully paid ordinary shares (Sale Shares) in various tranches, with the number of Sale Shares under each tranche to be calculated based on the 30 day volume weighted average price of Syrah shares prior to the issue date. The Sale Shares (if issued) will rank equally with Syrah's existing shares, and will not be issued to an existing class of security holders in Syrah. It is not expected that security holder approval will be required for the issue of Sale Shares.

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# **SYRAH** RESOURCES

## **SYRAH RESOURCES LIMITED**

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