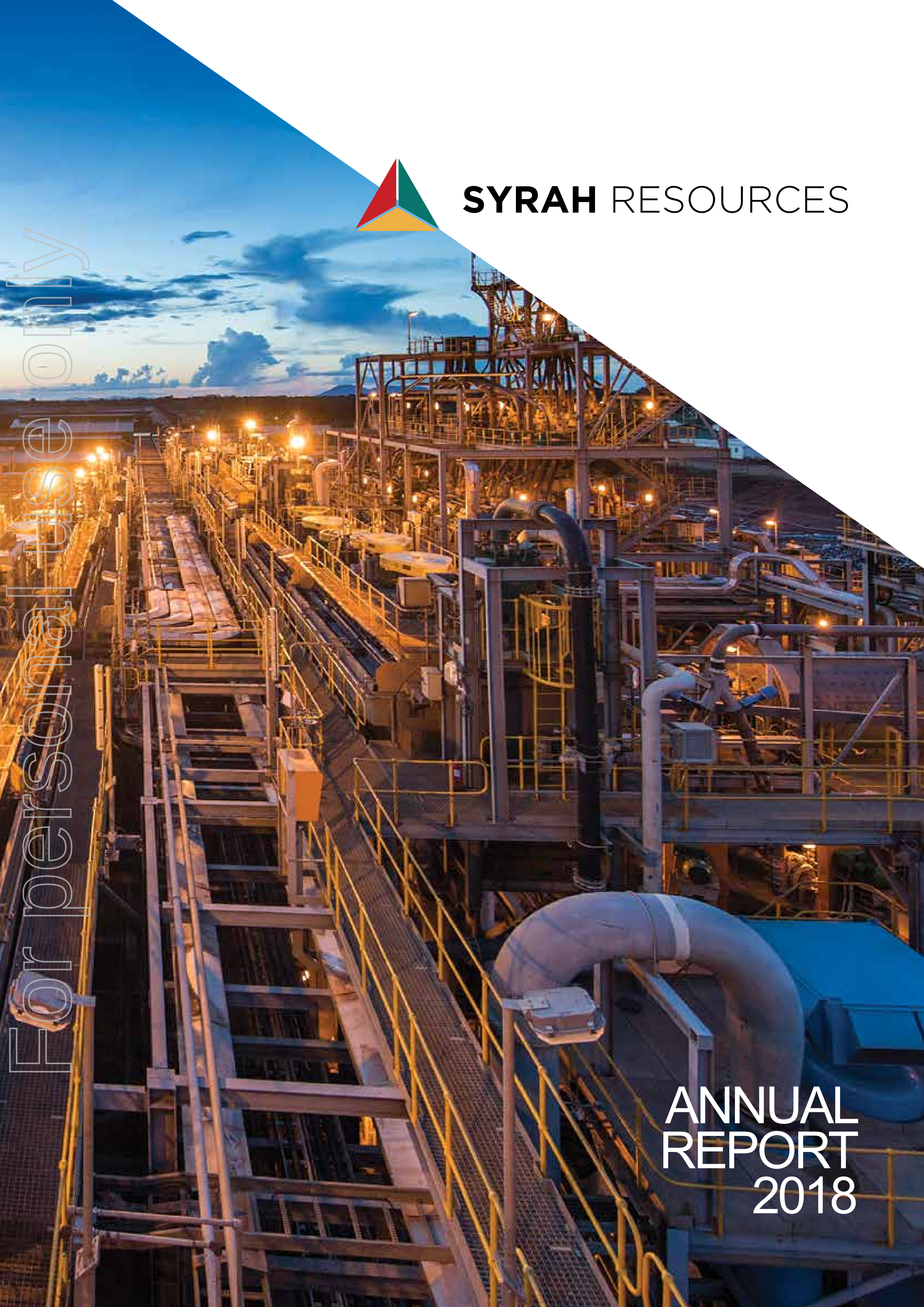

SYRAH RESOURCES

ANNUAL REPORT 2018

CORPORATE DIRECTORY

DIRECTORS

James Askew *Non-Executive Chairman*
Shaun Verner *Managing Director and Chief Executive Officer*
Sam Riggall *Non-Executive Director*
José Manuel Caldeira *Non-Executive Director*
Lisa Bahash *Non-Executive Director*
(appointed 16 July 2018)

COMPANY SECRETARY

Jennifer Currie

REGISTERED AND CORPORATE OFFICES

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Website: www.twigg.co.mz

Louisiana Office
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2001 D. A.
Biglane Road, Vidalia
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Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
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+61 3 9415 4000 (overseas)
Email: web.queries@computershare.com.au
Website: www.computershare.com.au

AUDITORS

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

SOLICITORS

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

STOCK EXCHANGE LISTING

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

PAGE	CONTENTS
1	Company Profile
1	2018 Highlights
2	Chairman's Letter
3	Managing Director & CEO's Letter
4	Directors' Report
22	Renumeration Report
46	Auditor's Independence Declaration
47	Financial Statements
95	Directors' Declaration
96	Independent Auditor's Report
102	Additional ASX Information

COMPANY PROFILE

OUR VISION

To be the world's leading supplier of superior quality graphite products, working closely with customers and the supply chain to add value in battery and industrial markets.

OUR VALUES

Syrah is committed to:

> **GOOD HEALTH** and **WORKING SAFELY** at all times

> **PARTNERING** with the **COMMUNITY** and **STAKEHOLDERS** for sustainability

> **INTEGRITY** and **FAIRNESS** in all our business dealings

> Being **ACCOUNTABLE** for our decisions and actions

> **CHALLENGE** and **SUPPORT** our people to achieve their potential

We will work as a team and act like owners to deliver shareholder value

2018 HIGHLIGHTS

BALAMA GRAPHITE OPERATION

> Strong health and safety record further improved with Total Recordable Injury Frequency Rate (TRIFR) of 0.3 as at end of 2018

> Balama established as the world's largest natural graphite producer with >100kt production in the first year of operations

> Production of high grade, low impurity products

> Binding Mining Agreement finalised with Government of Mozambique

SALES AND MARKETING

> UAE Marketing & Logistics hub and China Representative Sales Office established

> Sales contracts and qualification achieved in all major regions and end use segments

> First major exporter of flake graphite into China

BATTERY ANODE MATERIAL PROJECT ("BAM")

> Acquired and developed BAM site in Louisiana

> Installation of 5ktpa milling capacity completed, purification installation underway

> First production of unpurified spherical graphite using Balama natural flake graphite achieved

> Testing and benchmarking of Syrah pilot BAM product demonstrated equivalent electrochemical performance to tier 1 competitor products

CHAIRMAN'S LETTER

2018 is best characterised as “the Balama commissioning year”, where the Balama Graphite Operation (“Balama”) performance was challenging. As the year progressed when all indications were that performance was improving and starting to be predictable, a minor plant fire occurred, further delaying performance delivery. Once this repair was completed, Balama resumed the improving performance trajectory and this has continued into 2019. Your Board was kept informed of the progress via a well-established executive reporting protocol and maturity of risk management systems is now well embedded.

All the above had a negative impact on Syrah’s valuation, and shareholder wealth has been substantially eroded over the year. A further equity issue in the third quarter was necessary to complete Balama commissioning and replace capital previously allocated to finalising the Battery Anode Material (“BAM”) plant in Louisiana. Other financing alternatives were explored for this funding, but the terms were deemed too egregious to accept this option.

There have been substantial positives from the 2018 achievements. Balama product quality has had excellent market acceptance, the volume of production sales has broadly matched market demand and the sales of fines flake into the major Chinese anode materials manufacturers uniquely establishes Balama product as a preferred feedstock for Lithium-ion battery anode manufacture.

We are proud of our safety record which combined with our environmental programs and community initiatives underpins our licence to operate.

With the ongoing improvements in Balama, Syrah’s strategy has driven the leadership position we have established in a short period of time.

It would be remiss to not mention our continued excellent experience operating in Mozambique. Our resident Director, Jose Caldera, has been an invaluable custodian of our activities and Government relations are solid. The Mozambique President, His Excellency Mr Filipe Nyusi officially opened Balama in April 2018. As our business matures, we have relocated our primary Mozambique administrative office from Pemba to the capital, Maputo.

Your Board has undergone change during the year, with the addition of Lisa Bahash who brings a wealth of experience from the automotive original equipment manufacturer (“OEM”) industry, and the resignation of Stefano Giorgini late in the year. In late March 2019, Christina Lampe-Onnerud resigned from our Board in recognition of the growing commercial relationship with her advisory group, Cadenza Innovation Inc, in the technical development of our downstream BAM Project. Christina will thus continue deep involvement in Syrah’s Lithium-ion battery quest.

We anticipate at least one additional appointment to the Board in 2019. These are designed to address the evolution of Syrah into a vertically integrated battery supply chain materials provider, with a global market position. The strategic aspects of this mission demand international experience across a broad range of skill sets.

The primary focus for 2019 is to continue market penetration of our graphite products at competitive prices, and the qualification of our anode materials out of the BAM Louisiana plant.

We thank you for your continued support and we expect improvement in the equity value of your stockholding throughout 2019 and beyond. We are confident that we have the management team to deliver improved results and we continue with the vision to deliver Syrah as the leading high quality graphite producer and downstream anode company globally.

James Askew
Chairman

MANAGING DIRECTOR AND CEO'S LETTER

2018 was another year of milestones for Syrah as we transitioned the Balama project from construction to operations. Despite the well documented production ramp challenges we faced, the team made significant progress in operating what is now the world's largest natural graphite producer, with over 100kt of natural graphite produced in its first full year of operation.

Our safety record continues to further strengthen with a Total Recordable Injury Frequency Rate of 0.3 as at the end of the year versus 0.8 at the end of 2017. Our commitment to best practice sustainability has been recognised with Balama achieving ISO certification for Environmental and Occupation Health, and Safety Management Systems.

The Mining Agreement was finalised by the Government of Mozambique providing clarity and stability over the agreements governing Balama's operation.

Julio Costa, our Chief Operating Officer commenced in June and has successfully implemented a comprehensive production improvement plan, focusing on achieving target graphite recovery and optimising throughput, product mix and grade. Critical equipment management and product handling and logistics improvements have also been a key focus.

Our UAE marketing and logistics hub developed strongly and established sales contracts in all major regions and end-use market segments, including the traditional industrial markets and the high growth battery anode sector. We sold and shipped over 70kt in 2018, with significant port throughput achievements made late in the year.

We also opened a China representative sales office reflecting our position as the first major exporter of graphite into China – a significant market development. China is the largest producer and consumer of natural graphite globally, and developing our presence in China positions Syrah well to respond to the major source of demand growth in coming years.

A mix of term and spot sales agreements were struck for 2019, with a minimum of 74kt of additional sales contracted into China across a range of natural graphite size fractions.

Our Battery Anode Material ("BAM") strategy continued to progress. Following acquisition in August of our BAM site in Louisiana, USA, we made great progress on installation, and achieved first production of unpurified spherical graphite for qualification purposes at the end of the year. We are also well placed to achieve first production of purified spherical graphite.

Testing and benchmarking work which was completed early 2018 showed unoptimised Syrah BAM products demonstrated equivalent electrochemical performance to tier 1 competitor products. We also completed Phase 1 of our commercial scale BAM feasibility study, from which we continue to optimise CAPEX and product options.

An external engineering firm also completed a review of the 2014 Vanadium scoping study, with encouraging outcomes.

In addition to our strong safety performance, our regular Environmental Monitoring program continued in line with over 200 licence conditions with no significant incidents during the year.

We continue to focus on our people and communities. At Balama 96% of direct employees are Mozambican nationals with 55% from the local host communities.

During the year we implemented a malaria screening program to proactively identify individuals who may be carrying the malaria virus, with results benefitting the health of our people and extending to local communities with reduced malaria cases.

I am also pleased to advise that the construction of the Balama Professional Training Centre has been completed and we have enrolled and inducted our first intake of students, providing valuable skill development and long term benefit to the broader Balama community.

Overcoming the challenges of 2018, our production and supply chain achievements have shown that the full planned potential of the Balama asset is available. Thus our focus in 2019 is for consistency and stability through methodical continuation of our ramp up, in conjunction with market development delivering growth in the sales book and improved price realisation. Increasing production consistency in graphite recovery, carbon grade, product mix and logistics will be key enablers for further growth.

The team at Syrah will continue to work relentlessly to achieve our strategic objectives including driving down unit costs at Balama, whilst maximising our realised sales price outcomes to see Balama generate positive cashflow. We will continue to carefully develop our BAM and Vanadium options, always focusing on our licence to operate and growing shareholder value.

Shaun Verner

Managing Director and Chief Executive Officer

DIRECTORS' REPORT

DIRECTORS

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

James Askew
Non-Executive Chairman

Shaun Verner
Managing Director and Chief Executive Officer

Sam Riggall
Non-Executive Director

José Manuel Caldeira
Non-Executive Director

Lisa Bahash
Non-Executive Director (appointed 16 July 2018)

Christina Lampe-Onnerud
Non-Executive Director (ceased 25 March 2019)

Stefano Giorgini
Non-Executive Director (ceased 6 December 2018)

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 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 been continuously involved with the African mining industry since 1985.

Other current directorships in listed entities:

> Chairman of OceanaGold Corporation
> Non-Executive Director of Evolution Mining Limited
> Non-Executive Director of Endeavour Mining Corporation

Directorships of listed entities within the past three years:

> Chairman of OceanaGold Corporation (since March 2007, to retire 30 June 2019)
> Non-Executive Director of Evolution Mining Limited (since November 2011)
> Non-Executive Director of Endeavour Mining Corporation (since July 2017)
> Chairman of Asia Minerals Resources Limited (January 2015 to March 2017)
> Non-Executive Director of Nevada Copper Corporation (June 2015 to May 2016)

Special responsibilities:

> Chairman of the Sustainability Committee
> Member of the Remuneration, Nomination and Governance Committee
> Member of the Audit and Risk Committee (appointed to the Committee 12 December 2018)

Length of service: 4 years and 5 months

Interest in shares and options:

SECURITIES	NUMBER
Ordinary shares	107,517
Options over ordinary shares	Nil

Shaun Verner

Managing Director and Chief Executive Officer

Experience and expertise: Mr Verner is a senior resource industry executive with extensive general management and cross-functional commercial, operations, supply chain, and leadership experience. Prior to joining Syrah in October 2016, Mr Verner was at BHP Limited for 20 years in a variety of executive roles, with extensive international commercial and operational experience across a range of commodities including copper and base metals, uranium and thermal and metallurgical coal.

Other current directorships in listed entities: None

Directorships of listed entities within the past three years: None

Special responsibilities:

> Managing Director and Chief Executive Officer

Length of service: 2 years and 2 months

Interest in shares and options:

SECURITIES	NUMBER
Ordinary shares	80,231
Options over ordinary shares	1,000,000
Performance rights	215,747

Sam Riggall

Non-Executive Director

Experience and expertise: Mr Riggall is Chief Executive Officer of CleanTeQ Holdings Limited, an Australian and Canadian-listed technology company focused on development of resources for new energy and materials markets, and director of VRB Energy, one of China's largest vanadium redox flow battery manufacturers. Previously Executive Vice-President of Business Development and Strategic Planning at Ivanhoe Mines Ltd, and Director of Oyu Tolgoi LLC, and has over a decade's experience with Rio Tinto Ltd covering industrial minerals, project generation and evaluation, business development and capital market transactions. He brings significant insight to the impact of disruptive technologies on metals markets with a strong track record of identifying and building value through innovation.

Other current directorships in listed entities:

> Chief Executive Officer of CleanTeQ Holdings Limited

Directorships of listed entities within the past three years:

> Chief Executive Officer of CleanTeQ Holdings Limited (since July 2015)

Special responsibilities:

> Chairman of the Remuneration, Nomination and Governance Committee

> Chairman of the Audit and Risk Committee (appointed as Committee Chairman on 12 December 2018)

Length of service: 4 years and 5 months

Interest in shares and options:

SECURITIES	NUMBER
Ordinary shares	20,627
Options over ordinary shares	Nil

José Manuel Caldeira

Non-Executive Director

Experience and expertise: Mr Caldeira is a prominent and senior lawyer in Mozambique with over 30 years commercial and government experience. He is a senior partner at Sal and Caldeira Advogados, Lda in Mozambique, one of the leading law firms in Mozambique and a former judge of the Maputo City Court

Other current directorships in listed entities: None

Directorships of listed entities within the past three years: None

Special responsibilities:

> Member of the Audit and Risk Committee

> Member of the Sustainability Committee

Length of service: 4 years and 7 months

Interest in shares and options:

SECURITIES	NUMBER
Ordinary shares	12,082
Options over ordinary shares	400,000

Lisa Bahash

Non-Executive Director (appointed 16 July 2018)

Experience and expertise: Ms Bahash has 30 years experience in the automotive OEM, Tier 1 supplier and aftermarket sectors. Her prior roles included Senior Vice President, Automotive and Transportation with Jabil Inc., one of the world's leading electronics manufacturing services company, and Group Vice President and General Manager of Johnson Control's Power Solutions business, one of the world's largest automotive battery manufacturers leading the OEM and technology strategies including advanced energy storage and Lithium-ion technologies.

Other current directorships in listed entities: None

Directorships of listed entities within the past three years: None

Special responsibilities:

> Member of the Remuneration, Nomination and Governance Committee (appointed to the Committee 28 November 2018)

> Member of the Sustainability Committee (appointed to the Committee 12 December 2018)

Length of service: 9 months

Interest in shares and options:

SECURITIES	NUMBER
Ordinary shares	15,583
Options over ordinary shares	Nil

INFORMATION ON FORMER DIRECTORS

Christina Lampe-Onnerud

Non-Executive Director (ceased 25 March 2019)

Experience and expertise: Dr Lampe-Onnerud is an authority on battery system innovation and design. She is the founder of Cadenza Innovation Inc. and has over 20 years of experience in the research, development and commercialisation of Lithium-ion battery technologies for consumer electronics, electric automotive and energy storage applications. She was also the founder of Boston-Power, Inc., a developer of high-energy, cost-effective, longer-lasting and safer battery "building blocks". She has also held senior roles at Bridgewater Associates, LP, Arthur D. Little and Bell Communications Research, Inc.

Other current directorships in listed entities:

> Director of Fuel Cell Energy, Inc.

Directorships of listed entities within the past three years:

> Director of Fuel Cell Energy, Inc. (since November 2018)

Special responsibilities:

> Member of the Remuneration Nomination and Governance Committee

Length of service: 2 years and 10 months

Interest in shares and options[(1)]**:**

SECURITIES	NUMBER
Ordinary shares	Nil
Options over ordinary shares	400,000[(2)]

(1) Information as at the date of cessation as a Non-Executive Director of the Company.

(2) These options were granted on 24 May 2016 and will expire on 24 May 2019 in accordance with their terms.

Stefano Giorgini

Non-Executive Director (ceased 6 December 2018)

Experience and expertise: Mr Giorgini is a finance executive with over 30 years experience in senior finance, risk and assurance, governance, business development and commercial roles in the international resource and metals manufacturing industries. During his career with BHP Billiton Limited, responsibilities included Vice President Finance/CFO for the Aluminium, Manganese and Nickel Business and Head of Group Risk Assessment & Assurance.

Mr Giorgini has held executive director roles for numerous international resource ventures based in Australia, South America and Africa including Mozal Aluminium.

Other current directorships in listed entities: None

Directorships of listed entities within the past three years: None

Special responsibilities:

> Chairman of the Audit and Risk Committee
> Member of the Sustainability Committee

Length of service: 14 months

Interest in shares and options(1)**:**

SECURITIES	NUMBER
Ordinary shares	16,727
Options over ordinary shares	400,000(2)

(1) Information as at the date of cessation as a Non- Executive Director of the Company.

(2) These options were granted on 20 October 2018 and expired on 5 February 2019 as a result of his cessation as a Non-Executive Director.

COMPANY SECRETARY

Jennifer Currie

Chief Legal Officer and Company Secretary

Experience and expertise: Ms Currie is an experienced ASX listed General Counsel and Company Secretary, who has worked across a broad range of industries. Her previous role was General Counsel & Company Secretary for Capitol Health Limited. She has also held the role of General Counsel & Company Secretary for the Baker Heart & Diabetes Institute and PRB Foods Limited, and her other in-house legal experience includes Medibank Private Limited and Telstra Corporation Limited.

She is a Chartered Secretary and a Fellow of the Governance Institute and ICSA and holds a Bachelor of Commerce, Bachelor of Laws, a Master of Laws and a Graduate Diploma in Applied Corporate Governance.

PRINCIPAL ACTIVITIES

The principal continuing activities of the Group (being Syrah Resources Limited and its wholly owned subsidiaries) during the year consisted of:

> Production ramp-up of the Balama Graphite Operation in Mozambique;
> Sales of natural flake graphite and ongoing development of logistics, sales and marketing arrangements with targeted customers;
> Continued development of the use of high quality graphite from Balama as an input into the production of battery anode material and industrial products; and
> Development and execution of a downstream, battery anode material strategy in the USA.

DIVIDENDS

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

REVIEW OF OPERATIONS

OPERATING AND FINANCIAL REVIEW

CONSOLIDATED RESULTS

All financial data presented in this report is quoted in United States Dollars (US$) unless otherwise stated.

Statement of Comprehensive Income

The loss for the consolidated entity after income tax for the financial year ended 31 December 2018 was $29.0 million (2017: $12.3 million).

Revenue for the year ended 31 December 2018 comprised of interest income of $1.2 million (2017: $1.3 million) from cash reserves placed on term deposits during the year.

Total expenses for the year were $32.0 million (2017: $14.8 million), and included the following:

> Employee benefits expense of $10.2 million (2017: $7.6 million), of which $4.3 million (2017: $2.0 million), were non-cash share-based payment costs associated with issuance of shares, options and performance rights to directors, executives and senior employees;

> Legal and other consulting expense of $2.0 million (2017: $3.7 million) associated with documentation of key commercial agreements, consulting services in relation to consideration of financing options and management of the Group's corporate and administration functions;

> Depreciation and amortisation of corporate and administration assets of $0.5 million (2017: $0.3 million);

> Net foreign exchange loss of $1.2 million (2017: Net foreign exchange gain of $1.5 million); on foreign currency denominated transactions and balances, principally the Mozambique Metical (MZN).

> Other expenses of $18.2 million (2017: $3.3 million) comprising of a $7.4 million write off of certain mining assets and a proportion of pre-commercial production costs due to major equipment failures during the year and a $7.2 million share based payment expense arising from a contractual obligation to provide a 5% non-controlling, non-diluting interest in Twigg Exploration and Mining Limitada to a Mozambique Government entity.

Total comprehensive loss attributable to shareholders of Syrah Resources Limited for the year was $30.1 million (2017: $5.7 million loss).

Statement of Financial Position

Total assets of the consolidated entity as at 31 December 2018 were $473.8 million (2017: $418.5 million), with the increase principally as a result of the successful completion of a fully underwritten $68 million (A$94 million) institutional placement and a subsequent Share Purchase Plan to eligible shareholders raising an additional $6 million (A$9 million) at A$2.23 per share (refer to ASX announcement dated 4 September 2018).

The consolidated entity's cash and cash equivalents as at 31 December 2018 were $77.1 million (2017: $111.9 million) and working capital, being current assets less current liabilities, was $71.8 million (2017: $101.0 million). The net reduction in cash and cash equivalents and working capital is a result of the continuing ramp up of the Balama Graphite Operation and the development of a Battery Anode Material ("BAM") Project.

Mining assets increased to $331.2 million as at 31 December 2018 (2017: $273.5 million) due to the Balama Graphite Operation remaining in the production ramp up phase and not achieving commercial production during the year. Consequently, all production ramp up costs, net of revenues derived from the sale of graphite and the write off of certain mining assets and a portion of associated pre-commercial production operating costs from major equipment failures during the year, were capitalised against mining assets. On 14 January 2019, the declaration of commercial production at the Balama Graphite Operation was announced. Effective from 1 January 2019, all revenues from the sale of graphite will be recognised as revenue in the period in which they are earned, and operating costs incurred, net of inventory movements, will be expensed in the period in which they are incurred. Depreciation and amortisation of capitalised project development and construction costs will commence effective from 1 January 2019.

Property, plant and equipment increased to $31.4 million as at 31 December 2018 (2017: $9.0 million) due to the BAM Project development costs and the construction of a purpose built facility (5kt per annum milling capacity, batch scale purification capability) in Vidalia, Louisiana, USA.

Non-current trade and other receivables increased to $20.8 million as at 31 December 2018 (2017: $19.6 million) with the majority relating to outstanding Input Tax Credits in Mozambique of $16.8 million (2017: $16.4 million). During the year ended 31 December 2018 cash refunds totaling $5.6 million were received for input tax credits (2017: Nil). The Group views the outstanding balance of input tax credits as ultimately recoverable and continues to work with relevant authorities in Mozambique to recover these amounts.

The consolidated entity also placed a deposit of $1.2 million as security for an environmental guarantee in favour of the Ministry of Mineral Resources and Energy in Mozambique.

The consolidated entity had total liabilities of $28.6 million as at 31 December 2018 (2017: $25.8 million), which includes trade and other payables of $15.9 million (2017: $13.9 million); a provision for decommissioning and rehabilitation for the Balama Graphite Operation of $6.6 million (2017: $8.3 million); and lease liabilities of $5.6 million (2017: $1.2 million). The lease liabilities are secured against the leased assets consisting of laboratory equipment at Balama and a dedicated long-haul trucking fleet for the movement of graphite from the Balama Graphite Operation to a purpose-built cross dock facility in Nacala, Mozambique.

Net assets of the consolidated entity increased during the financial period to $445.2 million as at 31 December 2018 (2017: $392.6 million).

Statement of Cash Flows

Cash Flows from Operating Activities

Net cash outflow from operating activities for the year ended 31 December 2018 was $10.0 million (2017: $10.7 million), and principally consisted of employee benefits expenses, legal and other consulting costs, and general corporate administration costs. Net cash flows from operating activities includes interest received during the year of $1.1 million (2017: $1.2 million).

Cash Flows from Investing Activities

Net cash outflow from investing activities was $94.6 million for the year (2017: $127.0 million) and principally consisted of pre-commercial production operating costs for the Balama Graphite Operation and the development of the BAM Project in Vidalia, Louisiana, USA.

Cash Flow from Financing Activities

Net cash inflow from financing activities was $70.5 million during the year ended 31 December 2018 (2017: $85.1 million) and principally consisted of proceeds received from the capital raising completed during the year, net of transaction costs.

SEGMENT REVIEW

BALAMA GRAPHITE OPERATION

Financial Summary

The segment result for the Balama Graphite Operation for the year ended 31 December 2018 was a net loss before income tax of $20.6 million (2017: net profit before tax of $0.9 million). This loss was principally due to a $7.4 million write off of certain mining assets and a proportion of pre-commercial production operating costs due to major equipment failures during the year and a $7.2 million share based payment expense arising from a contractual obligation to provide a 5% non-controlling, non-diluting interest in Twigg Exploration and Mining Limitada to a Mozambique Government entity.

Total segment assets for the Balama Graphite Operation were $369.5 million as at 31 December 2018 (2017: $299.6 million) and principally comprised of mining assets of $331.2 million (2017: $273.5 million); and trade and other receivables of $11.6 million (2017: $4.8 million). The increase in total segment assets relates to the capitalisation of pre-commercial production operating costs.

Following are the key activities and achievements at the Balama Graphite Operation during the financial year.

Sustainability

Syrah's commitment to sustainability has been recognised through receiving accreditation in ISO 14001 and OHSAS 18001 at Balama in May 2018, demonstrating alignment with leading practice in Environmental and Occupation Health & Safety Management.

Health and Safety

Health and safety is the highest priority for the Company, in particular given the developing nature of the Company's local workforce. Syrah continued its strong health and safety performance at Balama with a Total Recordable Injury Frequency Rate ("TRIFR") of 0.3 as at 31 December 2018, a reduction from 0.8 as at 31 December 2017.

In September 2018, Syrah introduced a mandatory screening program to supplement existing malaria mitigation efforts, to proactively identify low parasitemic individuals not yet presenting with malaria symptoms. As a result of this screening program, 149 employees were prevented from falling ill with malaria and minimised employee and local community transmission rates. This screening program will continue at Balama.

Environment

In 2018, the Environmental Monitoring Program continued with over 200 environmental licence conditions met with no significant incidents or major non-compliances. Monitoring initiatives including the measurement of surface and ground water quality, ambient noise, dust levels, geo-hydrology, background radiation and air quality continued as part of the Company's Environmental Monitoring Program.

As at 31 December 2018, the Company has placed in favour of the Ministry of Mineral Resources and Energy ("MIREME") in Mozambique a bank guarantee totaling $3.7 million in relation to the rehabilitation or removal of project infrastructure for Balama as per the Mine Closure Plan commitments. The total amount of this bank guarantee will increase to $6.2 million.

A Livelihood Development Program ("LDP") commenced during the year, in collaboration with the Mozambique Institute of Agricultural Research (Montepuez delegation) to equip local farmers with new and improved agricultural techniques, equipment and crop varieties.

The aim of the LDP is to help sustain / generate livelihoods independent from the mine and protect local food security.

The Balama Nursery was established to cultivate native tree species for rehabilitation and ecological preservation purposes with over 4,500 seedlings planted in 2018.

The Balama Nursery compliments livelihood development efforts via the provision of cashew and other cash crop seedlings to local farmers.

Community Development

As at the end of 2018, 96% of Balama's direct employees were Mozambican nationals with 55% residing in the local host communities.

Ongoing Government support was demonstrated, with the President of Mozambique, His Excellency Mr Filipe Nyusi, officially opening the Balama Graphite Operation at an onsite inauguration event held in April. The Governor of Cabo Delgado, His Excellency Mr Júlio José Parruque, the Minister of Mineral Resources and Energy, His Excellency Mr Ernesto Tonela, and other dignitaries, and guests from Cabo Delgado Province, Balama District and local communities also attended the event.

During the year, Syrah completed the construction of the Balama Professional Training Centre ("BPTC") in partnership with the National Institute of Professional Training & Labour Studies ("IFPELAC"). The BPTC will train at least 500 members from the local host communities in basic artisan training, work readiness and health promotion over the next five years. Syrah has prepared all training material in conjunction with IFPELAC and will continue to develop the BPTC training curriculum over the coming years in line with community needs. Training commenced in January 2019.

Mining Agreement

The Mining Agreement was signed by the Minister of Mineral Resources and Energy, on behalf of Government of the Republic of Mozambique, and Syrah's wholly owned subsidiary, Twigg Exploration and Mining Limitada and was sanctioned by the Administrative Court in Mozambique in September 2018. The Mining Agreement is now binding and enforceable. It consolidates all prior project documents and approvals and provides the Company with clarity around the governing laws and contractualises the mining rights and other obligations for the Balama Graphite Operation in Mozambique.

Production

The Balama project transitioned to operations on 1 January 2018 with production focused on ramp up and optimisation. Mining activities performed in line with plan with material mined >9% Total Graphitic Carbon (above cut off grade) of 1,356kt and total material mined of 2,039kt. Some drill and blast activities were undertaken to remove sections of hard rock material.

Balama produced 104kt of natural flake graphite in its first year of production in line with revised forecasts, following the October outage. Average fixed carbon grade achieved was 95% with a range of 94% to 98%, and the production ratio of fines to coarse flake graphite was approximately 80% to 20%.

Balama Graphite Operation Production Summary 2018

Material Mined (>9% TGC[(1)])	1,356kt
Material Mined (>2% - < 9% TGC[(1)])	478kt
Waste Mined	205kt
Total Material Moved	2,039kt
Plant Feed	1,120kt
Plant Feed Grade (TGC[(1)])	17%
Recovery	53%
Graphite Produced	104kt
Average Fixed Carbon	95%

(1) TGC = Total Graphitic Carbon

Average graphite recovery achieved in 2018 was 53% which was lower than plan. Significant improvement in recovery was achieved over the course of the year as a result of the production improvement plan. Recovery was 70% in the fourth quarter with peak daily recovery of 90% achieved. Plant peak daily throughput capacity was achieved ~ pro-rata 2Mt per annum feed.

Production ramp up was impacted by damage to the fines dryer refractory bricks and flame tube in March, which was repaired in approximately eight weeks. Impact on production during the repair period was partly mitigated by maximising throughput in the coarse flake dryer.

In October, a fire to the Primary Classifier Unit rendered it inoperable and it was replaced over a five week repair period. During this time, Syrah operated a by-pass and brought forward planned maintenance and production optimisation works to reduce subsequent planned downtime and continue the production improvement plan.

Construction of the attrition cells was completed and they were operational in August. Combined with process improvements, Syrah successfully produced 98% fixed carbon ("FC") grade graphite across all sizes in the coarse flake circuit using standard flotation processes. Product value in use advantages for customers include reduced acid usage, lower impurities and a reduced environmental footprint.

A comprehensive production improvement plan initiated by the Chief Operating Officer (appointed in June) continues with focus areas including maximising recovery and throughput, optimising product mix and grade, critical equipment management, and product handling and logistics.

Sales and Marketing

Natural Graphite Sales Summary 2018

Graphite Sold and Shipped	73kt
Inventory at Nacala as at end of period (sales orders awaiting shipment)	20kt
Inventory at Balama/ USA as at end of period	11kt
Total Annual Production	104kt

Sales and qualification product shipments commenced in January 2018. During the year, shipments were made to a global customer base across the high growth battery sector and traditional industrial markets. Customer feedback on product quality was very positive with carbon grade, impurities, and particle size distribution meeting customer specifications. First cash inflow from sales was received in February.

Syrah also established itself as the first major exporter of graphite into China, indicating a major change to global trade flows, given China is currently the major global supplier and consumer of natural graphite.

For the full year 2018, Syrah sold and shipped 73kt of natural flake graphite and had an additional 20kt of sales orders awaiting shipment at Nacala as at the end of the year. Sales contracts were a mix of term agreements, spot and repeat spot sales enabling price discovery over the course of the year.

Syrah's lower than planned production performance during the year has impacted fulfilment of existing contracts, with rollover of remaining 2018 contract volumes and prices into 2019.

Syrah announced the following additional binding term sales agreements for natural flake graphite which resulted from successful spot sales:

> Minimum 48kt in 2019 with additional 12kt at Syrah's option to Qingdao Langruite Graphite Co. Ltd;

> 6kt coarse flake to Qingdao Freyr Graphite Co., Ltd over 12 months; and

> 20kt by 31 August 2019 to Qingdao Taida-Huarun New Energy Technology Co. Ltd.

Logistics

Supply chain optimisation and performance improvement actions continued throughout 2018 as sales and production volumes increased.

During the year, Balama's logistics contractor transitioned to the purpose built Cross Dock Facility and dedicated trucking fleet.

Cycle times at the Balama warehouse and for customs processing at the Port of Nacala led to higher than planned inventory during the year. Improvement actions were undertaken with Balama site inventory reduced by the end of the year.

Significant capacity increases were also achieved in road transport dispatch and container port receipts towards the end of 2018.

Graphite Pricing

The graphite market exhibits bespoke pricing based on a bilateral negotiation. The majority of Syrah's term sales agreements comprise of quarterly repricing. Syrah also enters into spot sales agreements. There is currently no centrally accepted clearing price or price index for natural graphite and differences are apparent between market segments and geographic locations.

In 2018, Syrah achieved a range of prices (CIF) demonstrating the variations driven by grade, flake size, qualification shipments, product mix, market entry and China domestic versus ex China pricing.

The current fines price achieved by Syrah continues to be influenced by China's domestic market fundamentals (domestic supply and demand balance relative to the international balance at any given point in time), as well as VAT and inland logistic costs.

Current prices for coarse flake material are reflected in both the China domestic and international markets given these markets are fairly balanced.

A demonstrated grade premium has been achieved for higher fixed carbon content.

Graphite Mineral Resources and Ore Reserves Estimate

A 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code") compliant Mineral Resource estimate using a 3% Total Graphitic Carbon ("TGC") cut-off has been determined by MPR Geological Consultants Pty Ltd ("MPR") as shown in the following table released by the Company on 29 March 2019.

Resource Competent Person's Statement

The information in this report related to Mineral Resource estimates is based on information compiled by Mr Jonathon Abbott, a Competent Person who is a member of the Australian Institute of Geoscientists. Mr Abbott is employed by MPR Geological Consultants Pty Ltd and is an independent consultant to Twigg Exploration and Mining Limitada. Mr Abbott has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is reporting to qualify as a Competent Person as defined in the JORC Code. Mr Abbott consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Table 1: Mineral Resource estimate at 3% TGC cut-off grade

As at 31 December 2017

CLASSIFICATION	TONNES (Mt)	TGC (%)	GRAPHITE (Mt)
Balama West	**645**	**10.5**	**68.5**
Measured	75	11	8.4
Indicated	110	8.1	9.1
Inferred	460	11	51
Balama East	**546**	**10.6**	**60**
Measured	-	-	-
Indicated	76	14	11
Inferred	470	10	49
Total	**1,191**	**11.0**	**128.5**
Measured	75	11	8.4
Indicated	186	11	20.1
Inferred	930	11	100

As at 31 December 2018

CLASSIFICATION	TONNES (Mt)	TGC (%)	GRAPHITE (Mt)
Balama West	**640**	**10**	**63.9**
Measured	24.3	17.6	4.3
Indicated	256	10.2	26.1
Inferred	360	9.3	33.5
Balama East	**783**	**11**	**83.1**
Measured	-	-	-
Indicated	123	13.4	16.5
Inferred	660	10.1	66.7
Total	**1,423**	**10**	**146.7**
Measured	24.3	17.6	4.3
Indicated	379	11.2	42.4
Inferred	1,020	9.8	100.0

Explanation of material changes:

The figures in this table are rounded to reflect the precision of the estimates and include rounding errors. Mineral Resource estimates are reported inclusive of Ore Reserve estimates (but noting that the Ore Reserves estimates in Table 2 below are based on Mineral Resource estimates released by the Company on 29 May 2015 and 15 November 2016).

The increase in Mineral Resource arises from additional extrapolation which is warranted by improved representation of mineralisation continuity, primarily at Balama East.

Reserve Competent Person's Statement

The information in this report related to Ore Reserve estimates was compiled under the supervision of Mr Jon Hudson who is an employee of Snowden Mining Industry Consultants Pty Ltd and a Fellow of the South African Institute of Mining and Metallurgy. Mr Hudson has sufficient experience relevant to the style of miernalisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Hudson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Table 2: Ore Reserve estimate

As at 31 December 2017 (9% TGC cut-off grade)

CLASSIFICATION	TONNES (Mt)	TGC (%)	GRAPHITE (Mt)
Balama West	**22.5**	**19**	**4.3**
Proved	20	19.2	3.8
Probable	2.6	17.5	0.4
Mualia [5]	33.1	17.5	5.4
Proved	-	-	-
Probable	33.1	17.5	5.4
Balama East	**58.8**	**15.1**	**8.9**
Proved	-	-	-
Probable	58.8	15.1	8.9
Stockpiles			
Proved	-	-	-
Probable	-	-	-
Total	**114.5**	**16.5**	**18.6**
Proved	20	19.2	3.8
Probable	94.5	16.0	14.7

As at 31 December 2018 (7.2% TGC cut-off grade)

CLASSIFICATION	TONNES (Mt)	TGC (%)	GRAPHITE (Mt)
Balama West [1],[2]	**22.76**	**17.41**	**4.0**
Proved	5.15	17.20	0.9
Probable	17.61	17.48	3.1
Mualia [3]	**33.89**	**18.74**	**6.4**
Proved	-	-	-
Probable	33.89	18.74	6.4
Balama East [4]	**56.41**	**14.51**	**8.2**
Proved	-	-	0.0
Probable	56.41	14.51	8.2
Stockpiles	**0.24**	**17.18**	**0.04**
Proved	0.24	17.18	0.04
Probable	-	-	-
Total [4]	**113.29**	**16.36**	**18.5**
Proved	5.39	17.20	0.9
Probable	107.9	16.32	17.6

The Ore Reserve was estimated above using a cut-off of 7.2% TGC. The Ore Reserve estimate includes the 2018 closing stockpile position and mining ore depletion from the Ativa pit as at 31 December 2018. All Ore Reserves tonnes have been rounded to the nearest 10,000 tonnes and grade to the nearest 0.01%. The Ore Reserve estimate includes small amounts of inferred material in the form of mining edge dilution.

The Ore Reserves are based on the Mineral Resource estimates released by the Company on 29 May 2015 (for Ativa in Balama West and Balama East) and 15 November 2016 (Mualia). The Ore Reserves have not been updated for the revised Mineral Resource estimate prepared by MPR and released by the Company on 29 March 2019.

Explanation of material changes:

(1) Reclassification of Ore Reserves from Proved to Probable due to changes in assumptions based on production and recovery performance to September 2018, and weighted average price.

(2) Mining ore depletion of 1.2Mt at 16% TGC from Balama West (Ativa).

(3) The Company's most recent Ore Reserve update covers Balama West (Ativa), Balama West (Mualia) and Balama East in a single study.

(4) Addition of 6Mt of marginal economic ore to the total Ore Reserve due to change in cut-off grade. Ore Reserve estimate is done at 7.2% cut-off to reflect the relative value across the flake size distribution.

(5) 2017 Annual Report, Table 4. In the 2017 Annual Report the Balama West (Mualia) Ore Reserves were reported separately to the Balama West (Ativa) and Balama East Ore Reserves as the Balama West (Mualia) Ore Reserves were the subject of a standalone study (reported by the Company on 15 November 2016).

Governance and Controls Statement

The Company engaged independent consultants to prepare the mineral resource and reserve estimates.

The consents by the Competent Persons remain in place for subsequent release 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 complete JORC Code reports, including JORC Code Table 1 documentation, which detail the material assumptions and technical parameters for each estimate, are available on the Company's website at www.syrahresources.com.au

The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original ASX announcements.

CORPORATE

Financial Summary

The segment result for Corporate for the year ended 31 December 2018 was a net loss before income tax of $10.3 million (2017: $11.8 million).

Total segment expenses for the year were $11.5 million (2017: $12.6 million) comprising employee benefits, legal and consulting costs and general corporate administration costs. These costs include ‘non-cash’ costs of $4.4 million (2017: $2.2 million), relating to share based payments and depreciation and amortisation of corporate assets.

Total segment assets were $104.3 million as at 31 December 2018 (2017: $118.9 million), with the decrease mainly driven by the cash required for the continued production ramp up of the Balama Graphite Operation, offset by the equity capital raising completed during the year.

Corporate segment assets as at 31 December 2018 include $73.4 million of cash and cash equivalents (2017: $110.7 million) which will be used to fund:

- Ongoing working capital for the Balama Graphite Operation;
- Progression of the BAM Project and product development opportunities;
- Progression of Vanadium Project studies; and
- General corporate and administrative activities.

BATTERY ANODE MATERIAL ("BAM") PROJECT

BAM Plant Louisiana

Syrah successfully completed the purchase of its Battery Anode Material ("BAM") site in Vidalia, Louisiana in August for $1.2 million. Air and water environmental discharge requirements for commencement of production have been met.

The acquisition of the Vidalia site followed the rejection of the initial identified site at Port Manchac, given the community view that Port Manchac was not an appropriate location for further growth in manufacturing activities.

Installation of the total 5kt per annum milling equipment capacity, and required infrastructure at Vidalia was completed on schedule. First production of unpurified spherical graphite from Balama natural graphite was achieved as planned by the end of the year.

Initial production capacity at Vidalia will focus on customer qualification which only requires small volumes. First customer qualification product was dispatched in mid January 2019.

Installation of purification equipment for batch processing is continuing for initial production of purified spherical graphite.

Commercial Plant Feasibility Study

Syrah completed Phase 1 of a BAM Commercial Plant Feasibility study for 10kt and 40kt per annum capacity. Capital efficiency options will be reviewed for coating, carbonisation and graphitisation for Phase 2.

Increased customer engagement is underway to provide input into detailed product specification, and to pursue customer commitments to underpin development.

Research & Development

In conjunction with Cadenza Innovation Inc. ("Cadenza"), testing and benchmarking of the electrochemical properties of Syrah’s Battery Anode Materials using Balama material has established a performance baseline against existing high-quality BAM products from Japan, Korea and China. Key variables tested included physical and electrochemical properties, composition, structure and performance.

Positive results of testing and benchmarking reconfirmed Syrah’s precursor (uncoated spherical graphite and uncoated purified spherical graphite) and finished BAM products (coated purified spherical graphite) have the essential core properties required by the global battery industry.

Full cell testing utilising Syrah’s coated spherical product (using pilot plant production) commenced with a global top 10 battery producer. Initial results indicate good performance across most key parameters, and positive performance to similar established products on the Lithium-ion battery market. Performance optimisation opportunities have been identified as part of Syrah’s ongoing product development program.

Combined with the benchmarking and testing, a baseline of battery performance properties is being established to facilitate market entry.

BALAMA VANADIUM PROJECT

In addition to Balama’s substantial graphite Ore Reserves, the deposit also hosts a significant Vanadium Inferred Resource of 1.15Bt at 0.23% V_2O_5 (JORC code (2012)) (refer to ASX announcement titled “Maiden Balama East Resource” released on 27 May 2013).

A review of the 2014 Vanadium Scoping Study was completed by an external engineering consultant and concluded that: Revised project estimates between the 2014 study and 2018 review are likely to result in a higher capital estimate, but lower operating cost estimate than the original study (on a like for like power basis, which assumed grid connection); substituting diesel power generation for simplicity would lead to higher operating costs than the original study estimate; and despite the higher capital and operating estimates, financial assessment using a conservative long term price forecast provides an attractive initial financial case, warranting progression to formal Pre Feasibility Study ("PFS") stage.

A number of potential capital reduction and process flow sheet optimisation opportunities were identified during the review, for assessment prior to PFS. Syrah has commenced sampling of Vanadium content in the Balama processing plant circuit in preparation for a metallurgical test work program.

FUTURE OUTLOOK

The likely developments in Group operations for future financial years include:

Balama Graphite Operation

- Production ramp up and optimisation Balama targeting:
  - Natural flake graphite production for 2019 of ~250,000 tonnes[1] with ramp up driven by market fundamentals, achieving appropriate pricing margins and ongoing production improvement plan
  - Recovery trending towards medium term target of 88%
  - Production ratio of fines to coarse flake graphite is expected to normalise towards medium term target of 70% to 30%
  - Product fixed carbon ("FC") grade 95% with targeted campaigns for 96% - 98% FC during 2019
  - Cash operating costs (FOB Port of Nacala) trending downwards towards $400 per tonne over 2019
  - Comprehensive production improvement plan with focus on maximising recovery and optimising throughput, optimising product mix and grade, critical equipment management and, product handling and logistics

Sales and Logistics

- Medium term natural graphite weighted average price greater than $600 per tonne enabled by:
  - Continued higher selling prices expected from a price premium reflecting cost differential and value in use
  - Demonstration of Syrah's reliability
  - China fines pricing expected to improve as China transitions from net exporter to net importer in the next two years
- Supply chain performance improvement actions with third parties to support increased sales and shipping volumes

Battery Anode Material ("BAM") Project

- Progression of the BAM strategy including ongoing research and development activities first phase plant in Louisiana, USA
- Phase 1 commercial scale feasibility capital efficiency review underway
- Improvement of project's financial return through aligning product options with customer development plans
- Continue to assess strategic relationship options in downstream production (particularly high temperature treatment)
- Focus on unpurified and purified spherical graphite production to achieve customer qualification and further product development
- Targeting first sale of precursor (unpurified and purified spherical graphite) in 2H19

Vanadium Project

- Sampling and analysis of Vanadium content within the graphite processing circuit in preparation for metallurgical test work
- Assessment of capital reduction and flow sheet optimisation opportunities prior to pre-feasibility
- Commercial and strategic engagement with Vanadium industry participants regarding development and financing options

(1) Refer to ASX announcements titled "Syrah finalises Balama Graphite study and declares maiden ore reserve" released on 29 May 2015, "Syrah increases Balama Reserves and awards Laboratory Contract" released on 15 November 2016. All material assumptions underpinning the production target in these announcements continue to apply and have not materially changed, other than as updated in subsequent ASX announcements.

MATERIAL BUSINESS RISKS

The Group continues to assess and manage various business risks with the potential to have a material impact on the Group's operating and financial performance and its ability to successfully achieve its corporate objectives. Set out below are the business risks identified as having the potential to have a material impact on the Group.

The matters listed below are not listed in order of importance and are not intended to be an exhaustive list of all the risks and uncertainties affecting the business.

MARKET RISK

The demand for, and the price of, natural flake and spherical graphite is highly dependent on a variety of factors, including international supply and demand of graphite and substitutes, the price and availability of substitutes, actions taken by governments, and global economic and political developments. Syrah's operational and financial performance, as well as the ongoing economic viability of the Balama Graphite Operation, is heavily reliant on the price of graphite, among other things. In this respect, prospective investors should note that, at present, there is no transparent market for graphite pricing; rather, prices are negotiated on a bilateral basis and therefore subject to factors including those set out below as well as the preferences and requirements of customers.

Failure by Syrah to negotiate favourable pricing terms (which terms may provide for fixed or market-based pricing) may materially affect the profitability and financial performance of Syrah. Further, failure by Syrah to negotiate favourable terms with agents or other third parties engaged to market and/or sell graphite and/or of Battery Anode Material graphite products ("Products") on its behalf, or failure by such agents or third parties to sell Products at favourable prices, may have a similar effect. Any sustained low price for Products (or low sale price achieved by Syrah, whether directly or via agents or other third parties) may adversely affect Syrah's business and financial results, its ability to finance, and the financing arrangements for its future activities or its planned capital expenditure commitments.

The factors which affect the price for the Products (many of which are outside the control of Syrah) include, among many other factors, the quantity of global supply of graphite as a result of the commissioning of new mines and the decommissioning of others; political developments in countries which produce and consume material quantities of Products; the weather in such countries; the price and availability of substitutes; advancements in technologies and the uses and potential uses of the Products, and the demand for the applications for which the Products may be used (including, for example, in the steel, manufacturing, construction, and battery industries); the grade, quality and particle size distribution of the Products produced; and sentiment or conditions in the countries and sectors in which Syrah and its business/commercial partners sell or intend to sell the Products.

Given the range of factors which contribute to the price of the Products, and the fact that pricing is subject to negotiation, it is particularly difficult for Syrah to predict with any certainty the prices at which Syrah will sell its Products. The effect of changes in assumptions about future prices may include, amongst other things, changes to Mineral Resources and Ore Reserves estimates and the assessment of the recoverable amount of Syrah's assets.

MINERAL RESOURCES AND ORE RESERVES

Mineral Resources and Ore Reserves are estimates of mineralisation that have reasonable prospects for eventual economic extraction in the future, as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). JORC Code compliant statements relating to Syrah's 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. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change and may be updated from time to time. This may result in alterations to mining plans or changes to the quality or quantity of Syrah's Ore Reserves and Mineral Resources, which may, in turn, adversely affect Syrah's operations.

Mineral production involves risks, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate.

No assurance can be given that the anticipated tonnages or grade of minerals will be achieved during production or that the indicated level of recovery rates will be realised. Additionally, material price fluctuations, as well as increased production and operating costs or reduced recovery rates, may render any potential mineral Resources or Reserves containing relatively lower grades uneconomic or less economic than anticipated, and may ultimately result in a restatement of such Resource or Reserve. This in turn could impact the life of mine plan and therefore the value attributable to mineral inventory and/or the assessment of recoverable amount of Syrah's assets and/or depreciation expense.

Moreover, short term operating factors relating to such potential mineral Resources or Reserves, such as the need for sequential development of mineral bodies and the processing of new or different mineral types or grades, may cause a mining operation to be unprofitable in any particular period. In any of these events, a loss of revenue or profit may be caused due to the lower than expected production or ongoing unplanned capital expenditure in order to meet production targets, or the higher than expected operating costs.

OPERATIONAL RISK

During the production ramp up and operational phase of the Balama Graphite Operation, there is a risk that difficulties may arise as part of the processing and production of minerals, including failures in plant and equipment, difficulties in obtaining and importing replacement equipment, and difficulties with product liberation, separation, screening, filtration, drying and bagging.

Other risks during the production ramp up and operational phase include, and are not limited to, weather, availability of materials, availability and productivity 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 and IT failures or disruptions. The production ramp up process may uncover failures or deficiencies in processes, systems, plant and equipment required for the Balama Graphite Operation, and addressing such failures or deficiencies may result in Syrah incurring unexpected costs and production ramp up delays. Any of these outcomes could have a material adverse impact on Syrah's results of operation and financial performance.

In addition, there is a risk that unforeseen geological or geotechnical issues may be encountered when developing and mining ore reserves, such as unusual or unexpected geological conditions, pit wall failures, tailings storage facility failures, rock bursts, seismicity and cave ins. In any of these events, a loss of revenue may be caused due to the lower than expected production and/or higher than anticipated operation and maintenance costs and/or ongoing unplanned capital expenditure in order to meet production targets.

Due to the remoteness of the Balama Graphite Operation, Syrah is subject to an increased number of risks including a lack of access to key infrastructure, security requirements, rising fuel costs, unexpected delays and accidents that could, singularly or collectively, materially negatively impact upon Syrah's financial performance and position. Any prolonged interruption to access to key infrastructure and logistics processes, including, for example, road access and integrity, bridge access and integrity, transport of product to the Port of Nacala, clearing of product through customs and shipping from the port, including shipping delays and rescheduling, could have significant adverse effects on the Company's ability to produce and sell product and therefore generate revenue. Further, as Syrah's primary asset is located in a remote part of Africa, it is particularly susceptible to the availability of personnel, specialist services, parts, equipment and supplies on a timely basis.

Higher than expected inflation rates generally, or specific to the mining industry in particular, could be expected to increase operating and capital expenditure costs and potentially reduce the value of future project developments. While, in some cases, such cost increases might be offset by increased selling prices, there is no assurance that this would be possible. To the extent that such offset is not possible, this could adversely impact Syrah's financial performance.

Any inability to resolve any unexpected problems relating to these operational risks or adjust costs profiles on commercial terms could adversely impact continuing operations, Mineral Resources and Ore Reserves estimates and the assessment of the recoverable amount of Syrah's assets.

COUNTERPARTY RISK

The ability of Syrah to achieve its stated objectives will depend on the performance of contractual counterparties.

Syrah has entered into sales, marketing and distribution agreements for the Balama Graphite Operation, and will seek to renew or replace contracts in order to match anticipated production over time or as those agreements approach their respective expiry dates. Global demand may fluctuate (based on steel production, electric vehicle and energy storage system battery demand in particular) and there is no guarantee that sales forecasts or timing will be achieved, or that supply and demand analysis will be accurate.

The agreements are a mix of term agreements and spot sale agreements. Syrah's revenue and profitability depends on counterparties performing on their obligations under such agreements, and on counterparties with term agreements continuing to enter into new agreements at the end of the existing term and spot sale counterparties entering into new sales.

In addition, the sale of Products by Syrah is subject to commercial verification and qualification processes to ensure any Products produced meet the specifications for industrial supply required by customers (including the industrial graphite markets and the battery sector). The qualification process may require approval from multiple parties in the supply chain and not just those parties with whom Syrah has contractual arrangements. Failure of Syrah's Products to qualify for purchase, or any unanticipated delay in qualifying Syrah's Products, may adversely impact Syrah's financial performance and position (including by resulting in Syrah generating less revenue or profit than anticipated and/or incurring higher costs than anticipated).

Syrah has entered into various agreements for the Balama Graphite Operation and the Battery Anode Material Project (including the supply of key goods and services including diesel fuel supply, logistics, contract mining and other services). Risks associated with such agreements, some of which have arisen, include rising contract prices as well as disputes regarding variations, extensions of time and costs, all of which may give rise to delays and/or increased costs. The risk of variations in contract prices is a function of the inclusion of certain 'rise and fall' provisions in some of Syrah's operational agreements. Such provisions provide a mechanism by which prices charged for certain inputs are periodically adjusted based on movements in certain indices. Should any of these risks materialise, this could have a material adverse impact on Syrah's profitability, financial performance and position.

If Syrah's counterparties default on the performance of their respective obligations, for example if the counterparty under a sales agreement defaults on payment or a supplier defaults on delivery, unless Syrah is protected by a letter of credit (which is often, but not always, the case in sales agreements), it may be necessary to approach a Mozambique or other international court to seek enforcement or some other legal remedy, if no alternative settlement can be reached. Such legal action can be uncertain, lengthy and costly. There is a risk that Syrah may not be able to seek the legal redress that it could expect under Australian law against a defaulting counterparty, or that a legal remedy will not be granted on satisfactory terms.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

Environmental regulations in the jurisdictions in which Syrah has operations impose significant obligations on companies that conduct the exploration for and mining of commodities. These regulations also cover the processing of ores into final products and subsequent transportation of those produced minerals as well as the possible effects of such activities upon the environment and local communities.

Syrah 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 vigorously and consistently the regulations are administered by the local authorities. There are inherent environmental risks in conducting exploration and mining activities, giving rise to potentially substantial costs for environmental rehabilitation, damage control and losses. These risks include the occurrence of incidents such as uncontrolled tailings containment breaches, subsidence from mining activities, escape of polluting substances and uncontrolled releases of hydrocarbons that may lead to material adverse impacts on Syrah's people, host communities, assets and/ or the Company's licence to operate.

Changes in environmental laws and regulations or their interpretation or enforcement may adversely affect Syrah's operations, including the potential profitability of its operations. Further, environmental legislation is evolving in a manner which may require stricter standards and enforcement (with associated additional compliance costs) and expose relevant operators to the risk of increased fines and penalties for non compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Syrah's operations.

Syrah currently holds an environmental licence for the Balama Graphite Operation (due to expire in 23 April 2020). Renewal of the licence is conditional on the update and resubmission of the environmental management plan and monitoring program in 2019. A detailed plan has been implemented to ensure all conditions for the renewal of the environmental licence are met in the required timeframes. Syrah's practices are reflected in the ISO14001 and OHSAS:18001 certification status. However, there are no guarantees that environmental issues or concerns will not arise. If such issues or concerns were to arise, this may have an adverse effect on Syrah's ability to operate, reputation and relationships with key stakeholders, which may in turn negatively impact its financial and operational performance.

Syrah is also required to close its operations and rehabilitate the lands that it disturbs in accordance with environmental licence conditions and applicable laws and regulations. A closure plan and estimate of closure and rehabilitation liabilities have been prepared for the Balama Graphite Operation. These estimates of closure and rehabilitation liabilities are based on current knowledge and assumptions however actual costs at the time of closure and rehabilitation may vary. In accordance with licence conditions Syrah is also progressively placing a guarantee in favour of the Ministry of Mineral Resources and Energy in Mozambique, a bank guarantee in relation to the rehabilitation or removal of project infrastructure as per the mine closure plan for the Balama Graphite Operation.

For the current Battery Anode Material facility in the USA, all regulatory air and water environmental discharge requirements have been met based on current qualification volumes. A commercial scale facility may require additional permits, authorisation and/or licences in relation to a variety of matters including air source emissions, water discharge, and/or hazardous materials. There can be no guarantee that Syrah will be able to successfully obtain, maintain or renew relevant authorisations in a timely manner or on acceptable terms to support its ongoing activities. An inability to obtain and maintain the necessary titles, authorisations, permits and licences could have a material adverse effect on the Battery Anode Material operations and the recoverable amount of assets.

The impacts of climate change may affect Syrah's operations and the markets in which the Company sells its Products through regulatory changes, technological advances and other market/economic responses. The use of fossil fuels for energy is a significant source of greenhouse gases contributing to climate change; resulting in increasing support for alternative energy and making fossil fuels susceptible to changes in regulations, and potentially usage taxes. While the growth of alternative energy supply and storage options presents an opportunity for Syrah's Battery Anode Material strategy and products; the effects of climate change on the Company's assets may also include changes in rainfall patterns, water shortages and an increase the ultimate cost of fossil fuels used in Syrah's operations for transport and power generation.

Mining, construction, production and logistics are potentially hazardous activities. There are numerous occupational health risks associated with mining and production operations and associated supporting activities such as logistics. If any injuries or accidents occur, this could have negative employee, community and/or financial implications for the Company including potential delays or stoppages in mining, production and/or logistics activities. In addition, the location of the Balama Graphite Operation means Syrah's employees and contractors could be affected by mosquito borne diseases such as malaria which could adversely impact operations.

Changes in health, safety and environmental laws and regulations or their interpretation or enforcement may adversely affect Syrah's obligations and/or operations.

Syrah's mining activities may cause issues or concerns with the local community in connection with, among other things, the potential effect on the environment as well as other social impacts relating to employment, use of infrastructure and community development.

In response to such risks, Syrah has signed a Community Development Agreement with local key stakeholders and established ongoing engagement and management programs focused on optimising positive impacts and minimising the risk of negative impacts on the community. However, these programs are no guarantee that other issues or concerns will not arise with the local community. If such issues or concerns were to arise, this may have an adverse effect on Syrah's reputation and relationships with key stakeholders, which may in turn negatively impact its financial and operational performance.

SOVEREIGN RISK

Syrah's operations could be affected by political instability in Australia, Mozambique, the USA, UAE or China or other countries or jurisdictions in which it has operations, investment interests, conducts exploration activities or has sales into. Syrah is therefore subject to the risk that it may not be able to carry out its operations as it intends or to ensure the security of its assets and its people. Syrah is subject to the risk of, among other things, loss of revenue, property and equipment as a result of expropriation, war, insurrection, civil disturbance, acts of terrorism and geopolitical uncertainty and political/civil unrest and violent criminal acts have occurred in the north of Mozambique. At this time all such acts have been at least 300km from the Balama Graphite Operation, however there is no guarantee that such acts will not spread closer to the Balama Graphite Operation. Syrah has strengthened its security measures and protocols in response to these events, however such security measures and protocols are no guarantee that such risks will not arise.

As with any mining operation, Syrah is also at risk of natural disasters, both to the mine site and also to the logistics chain, which may include among other matters, abnormal or severe weather conditions, floods, cyclones and other natural disasters.

The effect of these risks is difficult to predict and any combination of one or other of the above may have a material adverse effect on Syrah. Syrah has a limited ability to insure against some of these risks and other 'force majeure' risks (such as natural disasters).

Syrah's primary asset is located in Mozambique and so it is subject to risks associated with operating in that country. Risks of operations in Mozambique may include economic, social or political instability or change, hyperinflation, widespread health emergencies or pandemics, reduced convertibility of local currency, sovereign loan default or collapse of the country's financial system, difficulty in engaging with the local community, instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licencing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations, profitability or the recoverable amount of the assets of Syrah.

REGULATORY RISK

Syrah's businesses are subject, in each of the countries in which it operates, or the countries into which it sells its Products, to various national and local laws and regulations relating to, among other things, construction, exploration and mining activities as well as the import, export, marketing and sale of goods. A change in the laws which apply to Syrah's businesses or the way in which they are regulated, or changes to the laws affecting the sale of the Products such as trade sanctions or tariffs could have a material adverse effect on the carrying value of material assets or otherwise have a material adverse effect on Syrah's businesses and financial condition.

The Balama Graphite Operation is subject to the laws of Mozambique. Under those laws, certain rights are granted in favour of the Mozambique Government and certain obligations imposed on Syrah.

To manage the impact of this risk, Syrah through its wholly owned subsidiary, has entered into a binding and enforceable agreement with the Mozambique Government ("Mining Agreement"). The Mining Agreement consolidates all prior project documents and approvals. It also provides the Company with clarity around the governing laws and contractualises the mining rights and other obligations for the Balama Graphite Operation in Mozambique. A summary of the key commercial terms of the Mining Agreement can be found in the Company's ASX Release dated 27 September 2018. Syrah's operations could be adversely affected by government actions in Mozambique which alter the terms or operation of the Mining Agreement in respect of the Balama Graphite Operation or otherwise impact upon the manner in which Syrah conducts its operations and/or Syrah's relationship with, and obligations to, the Mozambique Government. Such government action could adversely impact Syrah's financial and operational performance and its financial position, in particular if it results in an increase in royalty payments, taxes or similar payments that Syrah is required to make or if it otherwise reduces the proportion of revenues or profits derived from the Balama Graphite Operation which Syrah is entitled to retain.

Syrah's business activities are also subject to obtaining, and maintaining the necessary titles, authorisations, permits and licences and associated land access agreements with the local community and various levels of Government which authorise those activities under relevant laws and regulations. There can be no guarantee that Syrah will be able to successfully obtain, maintain or renew relevant authorisations in a timely manner or on acceptable terms to support its ongoing activities. An inability to obtain and maintain the necessary titles, authorisations, permits and licences could have a material adverse effect on the carrying value of material assets or otherwise have a material adverse effect on Syrah's businesses and financial condition.

BATTERY ANODE MATERIAL

Relative to the Balama Graphite Operation, Syrah's Battery Anode Material Project is at an early stage. Accordingly it is subject to a range of risks and variables which may impact upon Syrah's ability to execute that strategy. These risks and variables include:

- In relation to the commissioning of the milling equipment, the risks inherent in any commissioning activities are present including in relation to performance of the processing plant and associated infrastructure, product grade or quality and other production related activities (including failures or deficiencies in processes, plant or equipment);
- Market risk associated with Battery Anode Material including in relation to pricing and demand (see further details outlined in "Market Risk" section above);
- Construction and the commissioning risk of the purification equipment for batch processing of purified spherical graphite;
- Any subsequent expansion including risks relating to weather, availability of materials, availability and productivity 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 and IT failures or disruptions. The commissioning process may uncover failures or deficiencies in processes, systems, plant and equipment required for the Battery Anode Material Project and addressing such failures or deficiencies may result in Syrah incurring unexpected costs and production commencing later than anticipated. Any of these outcomes could have a material adverse impact on Syrah's results of operations and financial performance;
- Operational risks including that the performance of the qualification plant may be below expectations;
- Obtaining all necessary permits, authorisations and approvals for the intended purified spherical graphite and anode material operations and any expansion of those operations beyond the initial plant capacity, including in relation to the discharge of wastewater, air emissions and a potential (but unlikely) change in design basis requiring the utilisation of hazardous materials;
- The costs of developing a commercial scale Battery Anode Material plant (should this be considered in the best interests of the Company); and
- The success of any strategic relationships into which Syrah enters with third parties in connection with the execution of the Battery Anode Material strategy.

The risks and costs relating to a commercial plant development will be further assessed in the feasibility study which is currently underway. If any of these risks or variables were to materialise, costs were greater than expected or if there is lower than expected demand for Syrah's Battery Anode Material, then Syrah's Battery Anode Material Project related activities may not proceed as presently intended, or (if they do proceed) they may take longer or cost more than anticipated and/or not generate the expected levels of revenue or profit. This in turn could have a material adverse effect on the recoverable amount of assets.

LIQUIDITY AND CAPITAL MANAGEMENT

Syrah's continued ability to operate its business and effectively implement its business plan over time will depend in part on its ability to generate free cash flow, to raise funds for operations and growth activities and to service, repay and refinance debts as they fall due. The Group has commenced production of saleable Products from the Balama Graphite Operation but is not yet cash flow positive. The Company may require additional financing, in addition to cash reserves, to meet operation and capital expenditure requirements for the Balama Graphite Operation, general administrative expenditures and Battery Anode Material Project activities, as well as acquisitions and new or existing projects. This includes Syrah's Battery Anode Material Project, and any further optimisation projects (including Vanadium) at the Balama Graphite Operation for which Syrah may require additional funding in the future to execute on that strategy.

While Syrah believes there a number of funding alternatives (which may include both debt and equity sources of funding), there can be no guarantee that Syrah will be able to raise additional funding on acceptable terms or at all. An inability to obtain finance on acceptable terms or at all may cause, among other things, substantial delays in, or prevent, the operation of the Balama Graphite Operation, potential Vanadium development, the Battery Anode Material plant and/or the development of Syrah's Battery Anode Material strategy.

To the extent that Syrah does require funding for its future capital needs, the availability and terms of such funding are uncertain and may be less favourable to Syrah than anticipated, which may negatively impact Syrah's future profitability and financial flexibility. Funding terms may also place restrictions on the manner in which Syrah conducts its business and impose limitations on Syrah's ability to execute its business plan and growth strategies (including its Battery Anode Material strategy).

WATER SOURCES

Any restrictions on Syrah's ability to access water may adversely impact the costs, production levels and financial performance of its operations. There is no guarantee that there will be sufficient future rainfall, or that the water level at the Chipembe Dam will be sufficient, to support Syrah's water demands in relation to its sites and operations or that access to water will otherwise remain uninterrupted. Likewise, the availability of water for the Battery Anode Material plant cannot be guaranteed. Any interruption to water access could adversely affect production and Syrah's ability to develop or expand projects and operations in the future. In addition, and while there are potential alternative water sources, there can be no assurance that Syrah will be able to obtain access to them on commercially reasonable terms or at all in the event of prolonged drought conditions or other interruptions to existing water access arrangements.

KEY PERSONNEL AND LABOUR MARKET RISK

Syrah has a number of key management personnel on whom it depends to manage and run its business. From time to time, Syrah will require additional key personnel or operational staff. In addition, Syrah has certain obligations regarding employment of local labour. The loss of any key personnel, coupled with any inability to attract additional or replacement suitably qualified personnel or to retain current personnel, could have a material adverse effect on Syrah's operational and financial performance. This difficulty may be exacerbated given the remoteness of facilities, the lack of infrastructure in the nearby surrounding areas (in respect of the Balama Graphite Operation), and the shortage of local, readily available skilled labour. A limited supply of skilled workers could lead to an increase in labour costs and Syrah being ultimately unable to attract and retain the employees it needs. When new workers are hired, it may also take a considerable period of training and time before they are equipped with the requisite skills to work effectively and safely.

CURRENCY AND EXCHANGE RATE RISK

Syrah's activities may generate revenues, and Syrah may incur expenses, in a variety of different currencies, meaning its financial performance and position are impacted by fluctuations in the value of relevant currencies and exchange rates. In particular, it is anticipated that Syrah will be required to make certain payments under contracts for the Balama Graphite Operation in the local Mozambique currency. A lack of liquidity or depreciation in the value of the local Mozambique currency, or the failure of or difficulties in implementing exchange control mechanisms in Mozambique, could adversely impact the financial position and performance of Syrah, including by making it more difficult or costly to convert the local currency or transfer funds out of Mozambique.

COMPETITION

Competition from other international graphite producers and explorers may affect the potential future cash flow and earnings which Syrah may realise from its operations. This includes competition from existing production and new entrants into the market. The introduction of new mining and processing facilities and any increase in competition and supply in the global graphite market could lower the price of this commodity. Syrah may also encounter competition from other mining and exploration companies for the acquisition of new projects required to sustain or increase its potential future production levels. Syrah's downstream Battery Anode Material Project may also be impacted by new entrants to the market, or existing graphite producers, pursuing a similar strategy aimed at qualifying spherical graphite or other Battery Anode Material products for battery purposes.

TAX AND CUSTOMS RISK

Syrah is subject to taxation and other imposts in Australia, Mozambique, the USA and the UAE, as well as other jurisdictions in which Syrah has activities, sales and investments. Changes in taxation laws (including transfer pricing, tariffs and duties), or changes in the interpretation or application of existing laws by courts or applicable revenue authorities, may affect the taxation or customs treatment of Syrah's business activities and adversely affect Syrah's financial condition.

Syrah's international contractual arrangements, asset, liability, revenue and expense recognition and taxation administration requires management judgment in relation to the application of tax laws in a number of jurisdictions. There are many transactions and calculations undertaken during the ordinary course of business where the ultimate tax determination is uncertain or in relation to which tax authorities or adjudicating bodies may take a view which is different to the view taken by Syrah. Syrah 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 in the period in which the assessment is made.

Further, there may be delays in processing tax or duty rebates or refunds for which Syrah has applied. Should it become unlikely that Syrah will recover such rebates or refunds, this could also adversely affect Syrah's financial condition and require a reclassification of assets or recognition of expenses in the Company's accounts.

The revenue and profit from the Balama Graphite Operation will be subject to certain payments to the Mozambique Government (including in the form of taxes and royalties) as provided for in the Mining Agreement (see above).

INSURANCE RISKS

Syrah maintains insurance coverage as determined appropriate by its Board and management, but no assurance can be given that Syrah will continue to be able to obtain such insurance coverage at reasonable rates (or at all) for certain events, or that any coverage it obtains will be adequate and available to cover all claims.

LITIGATION

Syrah may be involved in litigation and disputes from time to time with its contractors, sub-contractors and other parties. Litigation and disputes can be costly, including amounts payable in respect of judgments and settlements made against, or agreed to by, Syrah. They can also take up significant time and attention from management and the Board. Accordingly, Syrah's involvement in litigation and disputes could have an adverse impact on its financial performance and position.

GLOBAL ECONOMIC CONDITIONS

Economic conditions, both domestic and global, may affect the performance of Syrah. Adverse changes in macroeconomic conditions, including global and country specific growth rates, the cost and availability of credit, the rate of inflation, interest rates, exchange rates, government policy and regulations, general consumption and consumer spending, input costs, employment rates and industrial disruptions, among others, are variables which while generally outside Syrah's control, may result in material adverse impacts on Syrah's businesses and its operational and financial performance, and position.

RISK MANAGEMENT

The Company has developed and implemented a Risk Management Framework, endorsed by the Board of Directors and relevant sub-Committees (which is subject to annual review), within which:

> An over-arching risk management policy, which sets out its commitment to and the expected behaviours required of its employees and contractors. This is supported by a number of other more specific business policies that set out other key requirements of employees and contractors;

> A risk management process and risk assessment criteria that defines the key steps required to identify, analyse, treat, evaluate controls and monitor and report on the risks listed above and other risks on an ongoing basis;

> Risk tolerance and escalation criteria are specified;

> Accountabilities and responsibilities for overseeing, managing and monitoring these risks and other identified risks are clearly defined;

> Key priorities for management of risks are identified on a regular and ongoing basis; and

> Material or potentially material incidents that arise are reviewed and appropriate action taken.

The Executive Management team, and the Board, through its sub-committees; the Audit and Risk Committee, the Sustainability Committee and the Remuneration, Nomination and Governance Committee, regularly review the Company's risks and the effectiveness of the Company's management of those risks. The Board, with Executive Management's input, regularly consider the nature and extent of the risks the organisation is prepared to take to meet the Company's objectives.

Other key management mechanisms for the Company include:

> Health, safety and environmental management systems across the organisation;

> Crisis and Emergency management and business continuity systems;

> Anti-Bribery & Corruption Policy and processes, and other processes to support business integrity and compliance; and

> Appropriate insurance programs to provide efficient and effective levels of risk transfer.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the nature of activities or the state of affairs during the current financial year other than those included in the Review of Operations.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 14 January 2019, Syrah declared commercial production at the Balama Graphite Operation with effect from 1 January 2019.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the financial year ended 31 December 2018, and the number of meetings attended by each Director was:

DIRECTOR	BOARD		AUDIT AND RISK COMMITTEE		SUSTAINABILITY COMMITTEE		REMUNERATION, NOMINATION AND GOVERNANCE COMMITTEE	
	A	B	A	B	A	B	A	B
J Askew	9	9	-	-	3	3	4	4
S Verner	9	9	-	-	-	-	-	-
S Riggall	9	9	5	5	-	-	4	4
J Caldeira	8	9	5	5	2	3	-	-
C Lampe Onnerud(1)	8	9	-	-	-	-	4	4
L Bahash(2)	6	6	-	-	-	-	-	-
S Giorgini(3)	8	9	5	5	3	3	-	-

(A) Number of meetings attended, during the time the Director held office or was a member of the committee during the year ended 31 December 2018.

(B) Number of meetings held during the time the Director held office or was a member of the committee during the year ended 31 December 2018.

(1) C Lampe-Onnerud ceased as a Non-Executive Director on 25 March 2019.

(2) L Bahash was appointed as a Non-Executive Director on 16 July 2018.

(3) S Giorgini ceased as a Non-Executive Director on 6 December 2018.

REMUNERATION REPORT

The Remuneration Report contains details of remuneration paid to the Non-Executive Directors, Executive Directors and Key Management Personnel of the Group as well as the remuneration strategy and policies that were applicable in the financial year ended 31 December 2018. The remuneration report is structured as follows:

(A) Remuneration Governance
(B) Director and Key Management Personnel Details
(C) Key Remuneration Outcomes and Updates
(D) Remuneration Strategy and Philosophy
(E) Remuneration Components
(F) Details of Remuneration Expenses
(G) Executive Service Agreements
(H) Terms and Conditions of Share-Based Payment Arrangements
(I) Directors and Key Management Personnel Equity Holdings
(J) Other Transactions with Directors and Key Management Personnel
(K) Additional Information

(A) REMUNERATION GOVERNANCE

REMUNERATION, NOMINATION AND GOVERNANCE COMMITTEE

The Board has established a Remuneration and Nomination Committee (now renamed the Remuneration, Nomination and Governance Committee) consisting solely of Non-Executive Directors (with a majority being independent Directors) to assist the Board in achieving its objective in relation to the following:

- having a Board 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;
- communicating the Company's remuneration policy to shareholders, any proposed changes to that remuneration policy and the Committee's work on behalf of the Board; and
- oversight and monitoring of the implementation of the Company's corporate governance systems and policies.

During the year ended 31 December 2018 the Remuneration, Nomination and Governance Committee comprised of Sam Riggall (Committee Chair), James Askew and Christina Lampe-Onnerud, with the addition of Lisa Bahash effective from 28 November 2018.

The Charter for the Remuneration, Nomination and Governance Committee is available on the Company's website.

(B) DIRECTOR AND KEY MANAGEMENT PERSONNEL DETAILS

DIRECTORS

The following persons were directors of Syrah Resources Limited ("Syrah" or the "Company") during the financial year ended 31 December 2018 and up to the date of this report, unless otherwise stated:

EXECUTIVE AND NON-EXECUTIVE DIRECTORS	
NAME	**POSITION**
James Askew	Non-Executive Chairman
Shaun Verner	Managing Director and Chief Executive Officer
Sam Riggall	Non-Executive Director
José Caldeira	Non-Executive Director
Christina Lampe-Onnerud	Non-Executive Director (ceased 25 March 2019)
Lisa Bahash	Non-Executive Director (appointed 16 July 2018)
Stefano Giorgini	Non-Executive Director (ceased 6 December 2018)

KEY MANAGEMENT PERSONNEL

The following persons were the Key Management Personnel of Syrah during the year ended 31 December 2018 and up to the date of this report, unless otherwise stated:

KEY MANAGEMENT PERSONNEL	
NAME	**POSITION**
Shaun Verner	Managing Director and Chief Executive Officer
David Corr	Chief Financial Officer
Julio Costa	Chief Operating Officer (commenced 4 June 2018)
Jennifer Currie	Chief Legal Officer and Company Secretary
Jordan Morrissey	Chief People Officer
Robert Schaefer	Chief Commercial Officer

(C) KEY REMUNERATION OUTCOMES AND UPDATES

(i) What has changed in relation to remuneration during the year ended 31 December 2018

Non-Executive Director Remuneration	>	Non-Executive Directors received no fee increases during the year ended 31 December 2018
Executive Remuneration	>	A new Chief Operating Officer, Julio Costa, was employed from 4 June 2018
	>	Only one member of Syrah's Key Management Personnel received a remuneration increase during the year ended 31 December 2018[(1)]
	>	The 'at risk' variable remuneration components (comprised of a Short-Term Incentive ("STI") component and a Long-Term Incentive ("LTI") component) continued to be 75% of Total Fixed Remuneration ("TFR") for the Managing Director and 50% of TFR for other executives in 2018
STI Outcomes	>	The average STI outcome for the Managing Director and Chief Executive Officer and Key Management Personnel was 67% of the maximum opportunity for the year ended 31 December 2018 based on the assessment of corporate and personal performance metrics
LTI Outcomes	>	For the Performance Rights awarded during the 2016 financial year and tested as at 31 December 2018, none vested. This reflects the Total Shareholder Return ("TSR") performance of the Company during the three years to 31 December 2018 relative to the average TSR performance of the comparator group

(1) Chief People Officer Jordan Morrissey received a salary increase effective 19 June 2018.

(ii) What changes are planned or approved for remuneration for the year commencing 1 January 2019

LTI Performance Hurdles	> The Board of Directors has resolved to adopt the same performance hurdles for the 2019 LTI Program as were used in 2018, based on 2 measures: (a) 50% will be based on the TSR performance of the Company over the relevant vesting period relative to companies in the S&P/ASX300 Index (ASX:XKO) as at 1 January 2019, classified under the "Materials" (previously "Metals & Mining") industry under the GICS classification system; and (b) 50% will be based on the absolute shareholder return performance of the Company over the relevant vesting period against threshold and maximum targets as set by the Board. For the year commencing 1 January 2019, the Board of Directors has determined threshold TSR performance to be 8.6% compound annualised growth rate ("CAGR") and maximum TSR performance to be 18.8% CAGR.

(D) REMUNERATION STRATEGY AND PHILOSOPHY

NON-EXECUTIVE DIRECTOR REMUNERATION

The Board policy is to remunerate Non-Executive Directors at market rates commensurate with time, commitment and responsibilities. The level and structure of the fees paid to Non-Executive Directors is based upon the need to attract and retain Non-Executive Directors of suitable calibre, the demands of the role and prevailing market conditions. The Board determines payments to Non-Executive Directors taking into account comparable roles, comparative market data and if required the advice of independent remuneration consultants. There was no change to Non-Executive Director remuneration during the year ended 31 December 2018 (or to date).

EXECUTIVE REMUNERATION

The Board in consultation with the Remuneration, Nomination and Governance 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:

> attract and retain talented and high performing executives;

> provide appropriate levels of 'at risk' pay to encourage, recognise and reward high performance;

> 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 benchmark the remuneration of Directors and Key Management Personnel, and to assist the Company in ensuring that its remuneration arrangements remain competitive. During the year ended 31 December 2018, the Company engaged a specialist remuneration consultant (2018: $41,046 for consultancy assistance provided by Mercer Australia) for remuneration benchmarking purposes, however this was not a remuneration recommendation for the purposes of the *Corporations Act 2001* (Cth) ("Corporations Act"). No remuneration consultants were engaged for the year ended 31 December 2017.

EQUITY INCENTIVE PLAN RULES

The Company has an Equity Incentive Plan established and approved by shareholders at the Annual General Meeting on 17 May 2018 ("Equity Incentive Plan"), which applies to all shares, performance rights and options offered for grant from 17 May 2018 onwards. Under the Equity Incentive Plan, the Company may 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 the Board of Directors. Any performance rights, options and shares granted under the Equity Incentive Plan may be subject to such vesting conditions (if any) as determined by the Board of Directors.

The Company also has:

(i) a former Share Option Plan ("SOP") in existence. The SOP was established and approved by shareholders at an Annual General Meeting held on 19 November 2013 and enabled the Company, at the discretion of the Board of Directors, to offer employees and directors options. The SOP is now effectively dormant applying only to options granted prior to November 2015, with no new options issued under this plan.

(ii) a former Long-Term Incentive Plan ("LTIP") in existence. 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. The LTIP is now effectively dormant, applying only to performance rights and options granted from 13 November 2015 up until 16 May 2018. No new performance rights, options or shares will be issued under this LTIP.

(E) REMUNERATION COMPONENTS

NON-EXECUTIVE DIRECTOR FEES

The fee structure for Non-Executive directors provides for Non-Executive Directors to receive a Board fee and additional fees for chairing and participating on Board Committees. Except for the options set out in Section H of the Remuneration Report, Non-Executive Directors do not receive performance based pay or retirement allowances.

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. There was no change to the fee pool during the year ended 31 December 2018 and the maximum currently stands at A$1,000,000 per annum which was approved by shareholders at an Annual General Meeting on 26 May 2016.

The annual Non-Executive Director fees (inclusive of superannuation contribution amounts where applicable) for being a member of the Board and participating on its sub committees were as follows:

Table 1: Non-Executive Director Annual Fees

		2018		2017	
ANNUAL FEES		**A$**	**US$[1]**	**A$**	**US$**
Board Fees	Chairperson	160,000	119,648	160,000	122,816
	Members	95,000	71,041	95,000	72,922
Sub Committees[2]					
Audit and Risk Committee	Chairperson	20,000	14,956	20,000	15,352
	Members	10,000	7,478	10,000	7,676
Sustainability Committee	Chairperson	15,000	11,217	15,000	11,514
	Members	10,000	7,478	10,000	7,676
Remuneration, Nomination and Governance Committee	Chairperson	15,000	11,217	15,000	11,514
	Members	10,000	7,478	10,000	7,676

(1) Annual fees for Non-Executive Directors have been translated from Australian Dollars to US Dollars at the average exchange rate for the year ended 31 December 2018 of 0.7478 (2017: 0.7676).

(2) Effective from 29 November 2018, the Audit Committee was renamed the Audit and Risk Committee, the Sustainability and Risk Committee was renamed the Sustainability Committee, and the Remuneration and Nomination Committee was renamed the Remuneration, Nomination and Governance Committee.

In addition to the above fees, Non-Executive Directors are entitled receive a travel stipend of $3,739 (A$5,000) for each international trip where the travel time is in excess of seven hours of international travel (2017: $3,838 (A$5,000)).

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, Non-Executive Directors are eligible to participate in the Company's Equity Incentive Plan (as approved by shareholders), however such participation has been limited to a one-off grant of options at or around the time of appointment as a Director, as set out in Section H of this Remuneration Report. Amounts expensed through the Company's profit and loss statement for options issued to Non-Executive Directors are not included in the calculation of Non-Executive Directors fees for the purposes of determining the aggregate Directors' fee pool amount.

EXECUTIVE REMUNERATION

The Company's remuneration policy for Executives incorporates a Total Fixed Remuneration ("TFR") component (base salary plus statutory superannuation) and 'at risk' performance components; being a Short-Term Incentive ("STI") component and a Long-Term Incentive ("LTI") component. With the exception of the STI payments made in 2018 being 100% paid in the Company's fully paid ordinary shares ("Shares") (2017: 50% cash and 50% in shares), this policy remains identical to the remuneration structure for the year ending 31 December 2017. These components for the year ended 31 December 2018 are summarised below:

Table 2: Remuneration Components

ELEMENT	DELIVERY	PURPOSE	PERFORMANCE METRICS	POTENTIAL VALUE
Total Fixed Remuneration	100% Cash	To attract high calibre executives by offering competitive market salary including superannuation and non-monetary benefits	Nil	Positioned between the 25th and 50th percentile of a comparative group of companies
Short-Term Incentive	100% Shares	Reward for annual performance based on the Performance Metrics. 100% awarded in shares to encourage executives to hold shares in the Company	Combination of corporate and personal performance measures weighted 50:50	**Managing Director** 75% of TFR **Other executives** 50% of TFR
Long-Term Incentive	100% Performance Rights or other equity instruments	Alignment to long-term shareholder value. Award given in shares to encourage executives to hold shares in the Company	3 year Company TSR performance with 50% relative to the nominated Comparator Group and 50% relative to the nominated Absolute Measure Performance Metrics.	**Managing Director** 75% of TFR **Other executives** 50% of TFR

The following table sets out the relative mix of fixed remuneration and the total opportunity for performance related remuneration for Managing Director and Key Management Personnel for the current financial period:

Table 3: Remuneration Components

	TOTAL FIXED REMUNERATION		AT RISK REMUNERATION			
			STI		LTI	
NAME	DEC-18	DEC-17	DEC-18	DEC-17	DEC-18	DEC-17
Executive Directors						
S Verner	40%	40%	30%	30%	30%	30%
Key Management Personnel						
D Corr	50%	50%	25%	25%	25%	25%
J Costa[(1)]	50%	-	25%	-	25%	-
J Currie	50%	50%	25%	25%	25%	25%
J Morrissey	50%	50%	25%	25%	25%	25%
R Schaefer	50%	50%	25%	25%	25%	25%

(1) J Costa commenced employment with the Company as Chief Operating Officer on 4 June 2018 and his eligibility to participate in the STI plan was determined at 75% for the year ended 31 December 2018.

TOTAL FIXED REMUNERATION

The Remuneration, Nomination and Governance Committee 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. The Total Fixed Remuneration for Executives is currently positioned between the 25th and 50th percentile of a comparative group of companies (based on remuneration benchmarking in February 2018).

Total Fixed Remuneration for Key Management Personnel for financial year ended 31 December 2018 is set out in section (F).

'AT RISK' PERFORMANCE BASED REMUNERATION

Short Term Incentive

The objective of the STI Program is to align reward of Executives with the attainment of Key Performance Indicators ("KPIs") which drive short to medium term outcomes for the business incorporating a mixture of business development, operational and investor relations performance indicators. Corporate and personal performance measures are set and agreed annually by the Remuneration, Nomination and Governance Committee with oversight from the Board of Directors.

i. Short Term Incentive Program – 31 December 2018

Table 4: STI Program (31 December 2018)

FEATURE	DESCRIPTION
Maximum Opportunity	Managing Director and Chief Executive Officer – 75% of Total Fixed Remuneration ("TFR") for target performance. Other Executives – 50% of Total Fixed Remuneration ("TFR") for target performance. The Board of Directors reserves the discretion to reward exceptional achievement for stretch performance on any particular performance measure.
Group Performance Metrics & Award Outcome	The STI metrics are made up of a combination of corporate (50%) and personal performance measures (50%). The table below summarises the corporate performance metrics and target weighting for the year ended 31 December 2018:

METRIC	WEIGHTING	REASON FOR SELECTION
Corporate performance measures:		Corporate measures are aligned with the annual strategic priorities for the Group
Health, Safety, Compliance & Governance	10%	Promoting a strong culture of safe practices and corporate governance in all activities
Balama Cashflow & Cost	15%	Delivery against operating cost and cashflow targets
Battery Anode Material ("BAM") Progress	10%	Progression of BAM growth strategies
Sales Volume & Price	10%	Delivery against volume and weighted average price targets
Sustainability & Social Performance	5%	Focus on being a good corporate citizen in all jurisdictions where the Group operates
Total corporate performance measures	**50%**	
Personal performance metrics	50%	Targeted metrics relevant to individual roles
Total	**100%**	

The Board assessed an overall attainment of 25% out of 50% for the corporate performance metrics for the year ended 31 December 2018. This was based on recognition of the Company's underperformance relative to plan on production ramp up, sales volumes and weighted average price, whilst also recognising the substantial progress as well as challenges overcome in these areas. Additionally the determination reflected continued development and high performance in safety management, with a TRIFR of 0.3; no significant regulatory non-compliances; lead indicator metrics established and incorporated in all Group HSSE reports; demonstrated continual improvement of Group corporate governance capability and reporting; completion of BAM Product roadmap and first production of BAM unpurified spherical graphite from Vidalia, whilst noting the delays during H1 2018 securing the site lease; finalisation of the Balama Mining Agreement and progress of the Mozambique Stakeholder Engagement Plan; attainment of ISO Certification (ISO:14001 and OHSAS:18001) for Health, Safety and Environment, and establishment of the Balama Professional Training Centre.

Determination of Outcomes	The STI outcomes were determined by the Remuneration, Nomination and Governance Committee, with oversight from the Board of Directors.
Delivery of STI	100% of the STI award was paid in shares, issued under the Company's Equity Incentive Plan.

The following table shows details of the STI opportunity, as a percentage of Total Fixed Remuneration, for each of the Key Management Personnel and the amounts granted for the year ended 31 December 2018.

Table 5: STI Opportunity (31 December 2018)

	MAXIMUM OPPORTUNITY		AMOUNT GRANTED	AMOUNT FORFEITED
NAME	% OFFER	AMOUNT$[1]	%	%
Executive Director				
S Verner	75%	$276,359	63%	37%
Key Management Personnel				
D Corr	50%	$132,735	50%	50%
J Costa[2]	50%	$122,826	75%	25%
J Currie	50%	$122,826	75%	25%
J Morrissey	50%	$122,826	75%	25%
R Schaefer	50%	$122,826	65%	35%

(1) Amounts translated from Australian Dollars to US Dollars using an average exchange rate for the year ended 31 December 2018 of 0.7478.
(2) J Costa commenced employment with the Company as Chief Operating Officer on 4 June 2018 and his eligibility to participate in the STI plan was determined at 75% for the year ended 31 December 2018.

ii. Short Term Incentive Program – 31 December 2019

Table 6: STI Program (31 December 2019)

<table>
<tr><th>FEATURE</th><th>DESCRIPTION</th></tr>
<tr><td>Maximum Opportunity</td><td>Managing Director – 75% of Total Fixed Remuneration ("TFR") for target performance.
Other Executives – 50% of Total Fixed Remuneration ("TFR") for target performance.
The Board of Directors reserves the discretion to reward exceptional achievement for stretch performance on any particular performance measure.</td></tr>
<tr><td>Group Performance Metrics & Award Outcome</td><td>The STI metrics will be made up of a combination of corporate (50%) and personal performance measures (50%). The table below summarises the corporate performance metrics for the year ending 31 December 2019:
<table>
<tr><th>METRIC</th><th>WEIGHTING</th><th>REASON FOR SELECTION</th></tr>
<tr><td>Corporate performance measures:</td><td></td><td>Corporate measures are aligned with the strategic priorities for the Group</td></tr>
<tr><td>Sustainability (HSSEC)/Compliance & Governance</td><td>10%</td><td>Promoting a strong culture of safe practices, social licence to operate, and good corporate governance and compliance in all activities</td></tr>
<tr><td>Balama Production & Cost</td><td>10%</td><td>Delivery against production and operating cost targets</td></tr>
<tr><td>Battery Anode Material ("BAM") Progress</td><td>10%</td><td>Progression of BAM growth strategies</td></tr>
<tr><td>Sales Volume & Price</td><td>10%</td><td>Delivery against volume and weighted average basket price targets</td></tr>
<tr><td>Capital Management</td><td>10%</td><td>Balance sheet strength for operations and growth</td></tr>
<tr><td>Total corporate performance measures</td><td>50%</td><td></td></tr>
<tr><td>Personal performance metrics</td><td>50%</td><td>Targeted metrics relevant to individual roles</td></tr>
<tr><td>Total</td><td>100%</td><td></td></tr>
</table></td></tr>
<tr><td>Determination of Outcomes</td><td>The STI outcomes will be determined by the Remuneration, Nomination and Governance Committee, with oversight from the Board of Directors.</td></tr>
<tr><td>Delivery of STI</td><td>The delivery of the STI for the year ending 31 December 2019 will be determined by the Remuneration, Nomination and Governance Committee, with oversight from the Board of Directors.</td></tr>
</table>

Long-Term Incentive

The LTI Program 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 Program is designed to provide relevant directors and key employees with an incentive to remain with Syrah and contribute to the future performance of the Group over the long term.

Performance Rights

Executives and senior managers within the Group 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. These performance rights are issued under the Equity Incentive Plan (from 17 May 2018) or the LTIP (prior to 17 May 2018).

The potential maximum value of the annual grant of performance rights over a three year period represents between 20% and 75% of an eligible employee's total fixed remuneration. The actual number of performance rights granted is calculated based on the closing volume weighted average price ("VWAP") of the Company's shares on ASX for the 60 trading days (for the performance rights granted in 2018 and 2019) or one month (for the performance rights granted in 2017) preceding the commencement and the end of the performance period.

Performance Hurdles

The performance hurdles for 2018 and 2019 are based on the Company's TSR performance:

(a) 50% will be based on the TSR performance of the Company over the relevant vesting period relative to companies in the S&P/ASX300 Index (ASX:XKO) as at 1 January 2019, classified under the "Materials" (formally the "Metals & Mining") industry under the GICS classification system; and

(b) 50% will be based on the absolute shareholder return performance of the Company over the relevant vesting period against threshold and maximum targets as set by the Board. For both the 2018 and 2019 years, the Board of Directors has determined threshold TSR performance to be 8.6% compound annualised growth rate ("CAGR") and maximum TSR performance to be 18.8% CAGR. These targets have been based upon the median performance of the S&P/ASX300 Index over a 20-year period.

The performance hurdles for 2017 and prior years involved an assessment of the Company's TSR relative to a comparative group of companies specified annually.

Vesting Conditions

Vesting of performance rights will be subject to the relevant performance hurdles 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 Board of Directors determines otherwise).

The number of performance rights that vest will be determined by assessing the performance of the Company, measured by the relevant performance measure as at the date that is three years after the commencement of the performance period ("Performance Date"), relative to the relevant performance hurdle(s) (the "TSR Hurdle(s)").

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

PERFORMANCE AGAINST TSR COMPATOR GROUP (100% OF PERFORMANCE RIGHTS FOR 2016 TO 2017 AND 50% OF PERFORMANCE RIGHTS FROM 2018 ONWARDS)	PERFORMANCE AGAINST ABSOLUTE TSR MEASURE (50% OF PERFORMANCE RIGHTS FROM 2018 ONWARDS)	PERCENTAGE OF PERFORMANCE RIGHTS ELIGIBLE TO VEST
TSR performance is at or below the median performance of the comparator group	TSR performance is at or below threshold performance (8.6% CAGR)	0%
TSR performance of between the median and 75th percentile performance of the comparator group	TSR performance is between threshold (8.6% CAGR) and maximum performance (18.8% CAGR)	Straight line pro-rata between 50% and 100%
TSR performance is at or above the 75th percentile performance of the comparator group	TSR performance is above maximum performance 18.8% CAGR)	100%

In the event that a participant in the LTI Program 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/ Board, if the participant is a "bad leaver" (for reasons such as resignation, dismissal for poor performance or as otherwise determined by the Remuneration, Nomination and Governance Committee/ Board), 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 that the participant was a director/ employee).

The Board also has power to deem that performance rights will lapse or be deemed to be forfeited 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, brings the Group (or any member thereof) into disrepute or if the Board determines there has been a material misstatement or omission in the financial statements.

In the event of a change of control, all unvested performance rights will vest (in the case of performance rights granted up until 16 May 2018) or (in the case of performance rights granted from 17 May 2018 onwards) will vest unless the Board of Directors exercises its discretion to determine otherwise.

TSR Comparator Groups (2015 to 2018 Grants)

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

i. Year ended 31 December 2016 Grant

The TSR comparator group as selected by the Board of Directors for the performance rights for the year ended 31 December 2016 for testing as at 31 December 2018 is as follows:

Ferroglobe PLC	Magnis Energy Technologies Ltd(1)	Sandfire Resources NL
HudBay Minerals Inc	Materion Corporation	Talga Resources Limited
Iluka Resources Limited	Metals X Limited	Tokai Carbon Co. Ltd
Imperial Metals Corp	OZ Minerals Limited	Vedanta Resources plc
Independence Group NL	Polymet Mining Corp	Western Areas Limited
Ivanhoe Mines Ltd	Nevsun Resources Ltd	

(1) Previously named Magnis Resources Limited

Outcome for 31 December 2016 Grant

None of the performance rights granted for the 2016 financial year and tested as at 31 December 2018 vested, as the TSR performance of Syrah was below the median TSR performance of the comparator group over the performance period.

ii. Year ended 31 December 2017 Grant

The TSR comparator group as selected by the Board of Directors for the performance rights for the year ended 31 December 2017 for testing as at 31 December 2019 is as follows:

Ferroglobe PLC	Magnis Energy Technologies Ltd(1)	Sandfire Resources NL
HudBay Minerals Inc	Materion Corporation	Talga Resources Limited
Iluka Resources Limited	Metals X Limited	Tokai Carbon Co. Ltd
Imperial Metals Corp	OZ Minerals Limited	Vedanta Resources plc
Independence Group NL	Polymet Mining Corp	Western Areas Limited
Ivanhoe Mines Ltd	Nevsun Resources Ltd	

(1) Previously named Magnis Resources Limited

iii. Year ended 31 December 2018 Grant

The TSR comparator group as selected by the Board of Directors for the performance rights for the year ended 31 December 2018 for testing as at 31 December 2020 are the companies in the S&P/ASX300 Index (ASX:XKO) as at 1 January 2018, classified under the "Metals & Mining" (now renamed "Materials") industry under the GICS classification system, being:

Alacer Gold Corp.	Independence Group NL	Regis Resources Limited
Alumina Limited	Lynas Corporation Limited	Resolute Mining Limited
Ausdrill Limited	MACA Limited	Rio Tinto Limited
Beadell Resources Limited	Magnis Energy Technologies Ltd	Sandfire Resources NL
BHP Group Limited	Metals X Limited	Saracen Mineral Holdings Limited
BlueScope Steel Limited	Mineral Resources Limited	Silver Lake Resources Limited
Dacian Gold Limited	Newcrest Mining Limited	Sims Metal Management Limited
Evolution Mining Limited	Northern Star Resources Limited	South32 Limited
Fortescue Metals Group Limited	OceanaGold Corporation	St Barbara Limited
Galaxy Resources Limited	Orocobre Limited	Syrah Resources Limited
Gold Road Resources Limited	OZ Minerals Limited	Western Areas Limited
Iluka Resources Limited	Perseus Mining Limited	Westgold Resources Limited
Imdex Limited	Pilbara Minerals Limited	

The Board reserves the right to adjust the composition and number of the companies in the TSR Comparator Groups (2017 and 2018 Grants) 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.

iv. Year ended 31 December 2019 Grant

The TSR comparator group as selected by the Board of Directors for performance rights for the year ending 31 December 2019 comprise of the companies in the S&P/ASX300 Index (ASX:XKO) as at 1 January 2019, classified under the "Materials" (formally "Metals & Mining") industry under the GICS classification system as follows:

Adelaide Brighton Limited	Iluka Resources Limited	Orica Limited
Altura Mining Limited	IMDEX Limited	OZ Minerals Limited
Alumina Limited	Ioneer Limited	Pact Group Holdings Limited
Amcor Limited	Incitec Pivot Limited	Pilbara Minerals Limited
Aurelia Metals Limited	James Hardie Industries Plc	Perseus Mining Limited
Ausdrill Limited	Jupiter Mines Limited	Rio Tinto Limited
BHP Group Limited	Kidman Resources Limited	Regis Resources Limited
BlueScope Steel Limited	Lynas Corporation Limited	Resolute Mining Limited
Boral Limited	Mineral Resources Limited	South32 Limited
Brickworks Limited	MACA Limited	Saracen Mineral Holdings Limited
CSR Limited	Metals X Limited	St Barbara Limited
Dacian Gold Limited	Newcrest Mining	Sandfire Resources NL
DuluxGroup Limited	New Century Resources Limited	Sims Metal Management Limited
Evolution Mining Limited	Northern Star Resources Limited	Syrah Resources Limited
Fletcher Building Limited	Nufarm Limited	Wagners Holding Company Limited
Fortescue Metals Group Limited	OceanaGold Corporation	Westgold Resources Limited
Gold Road Resources Limited	Om Holdings Limited	Western Areas Limited
Galaxy Resources Limited	Orora Limited	
Independence Group NL	Orocobre Limited	

If at any time during the Vesting Period a company in the Comparator Group suffers an insolvency event, undertakes material merger or acquisition activity or is delisted from the ASX it will cease to become part of the Comparator Group.

The table below summarises the number and movements in Performance Rights issued under the Equity Incentive Plan during the year:

Table 7: Equity Incentive Plan Performance Rights

	2018 NUMBER	2017 NUMBER
Movement for the year ended 31 December 2018:		
Balance at the beginning of the year	-	N/A
Granted during the year	69,205	N/A
Lapsed during the year	-	N/A
Forfeited during the year	-	N/A
Balance at the end of the year	69,205	N/A
At 31 December 2018:		
Vested	-	N/A
Unvested	69,205(1)	N/A
Total	**69,205**	**N/A**

(1) 36,720 of these rights vested in 2019, of which 24,480 were exercised on 31 January 2019.

The table below summarises the number and movements in performance rights issued under the LTIP during the year:

Table 8: LTIP Performance Rights

	2018 NUMBER	2017 NUMBER
Movement for the year ended 31 December 2018:		
Balance at the beginning of the year	710,783	324,754
Granted during the year	563,511	600,543
Lapsed during the year	(175,213)	-
Forfeited during the year	-	-
Exercised during the year	(78,255)	(214,514)
Balance at the end of the year	1,020,826(1)	710,783
At 31 December 2018:		
Vested	-	144,170
Unvested	1,020,826(2)	566,613
Total	**1,020,826**	**710,783**

(1) 110,007 of these rights lapsed in 2019 as the performance criteria were not met.
(2) 118,663 of these rights vested in 2019.

The Board of Directors has resolved to grant 217,558 performance rights to S Verner, subject to shareholder approval, and 523,491 performance rights to other Key Management Personnel for the year ending 31 December 2018. The performance rights granted to S Verner remain subject to shareholder approval. The Board of Directors also resolved to grant 521,490 performance rights to other executives and senior managers for the year ended 31 December 2018 in accordance with the relevant employment contracts. These performance rights were issued on 21 March 2019 and are not included in the above table.

Share Options

Former Share Option Plan ("SOP")

As at 31 December 2018, there were 900,000 options outstanding (31 December 2017: 2,450,000) under this plan. The table below summarises the number and movements in Options under this plan during the year:

Table 9: SOP Options

	2018 NUMBER	2017 NUMBER
Movement for the year ended 31 December 2018:		
Balance at the beginning of the year	2,450,000	5,675,000
Exercised during the year	-	(600,000)
Expired during the year	(1,550,000)	(2,625,000)
Balance at the end of the year	900,000	2,450,000
At 31 December 2018:		
Vested	900,000	2,450,000
Unvested	-	-
TOTAL	**900,000**	**2,450,000**

Unvested options issued under the SOP will be forfeited upon cessation of employment prior to the conclusion of the vesting period.

In the event of cessation of employment by reason of death, any vested options are exercisable within three months by a legal representative otherwise the options will lapse. All other vested options are exercisable within 30 days of cessation of employment otherwise the options will lapse.

Former Long Term Incentive Plan ("LTIP")

As at 31 December 2018, there were 3,300,000 options outstanding (31 December 2017: 4,300,000) under the LTIP. The table below summarises the number and movements in options under this plan during the year:

Table 10: LTIP Options

	2018 NUMBER	2017 NUMBER
Movement for the year ended 31 December 2018:		
Balance at the beginning of the year	4,300,000	3,000,000
Granted during the year	-	2,900,000
Forfeited during the year	-	(600,000)
Expired during the year	(1,000,000)	(1,000,000)
Balance at the end of the year	3,300,000	4,300,000
At 31 December 2018:		
Vested	3,300,000(1)	1,400,000
Unvested	-	2,900,000
TOTAL	**3,300,000**	**4,300,000**

(1) 400,000 options expired on 5 February 2019.

In the event that a participant in the LTIP ceases to be a director or employee of the Group, the treatment of any options 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 options 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 options (based on the proportion of the vesting period that the participant was a director/ employee).

The Plan Committee also has power to deem that options will lapse or be forfeited 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 Syrah Group (or any member thereof) into disrepute or if the Plan Committee determines there has been a material misstatement or omission in the financial statements which affects those options.

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

Current Equity Incentive Plan

As at 31 December 2018, there were 600,000 options outstanding under this plan.

In accordance with the terms of the letter of offer issued to L Bahash on 6 July 2018, L Bahash was granted 400,000 options in Syrah at an exercise price of $2.89 subject to approval by shareholders at the next Annual General Meeting.

The table below summarises the number and movements in Options under this plan during the year:

Table 11: Equity Incentive Plan Options

	2018 NUMBER	2017 NUMBER
Movement for the year ended 31 December 2018:		
Balance at the beginning of the year	-	N/A
Granted during the year	600,000	N/A
Forfeited during the year	-	N/A
Expired during the year`	-	N/A
Balance at the end of the year	600,000	N/A
At 31 December 2018:		
Vested	-	N/A
Unvested	600,000	N/A
TOTAL	**600,000**	**N/A**

In the event that a participant in the Equity Incentive Plan ceases to be an employee of the Group, the treatment of any options held by the participant will depend on the circumstances surrounding the cessation of his/ her employment. In general terms, and subject to the discretion of the Board of Directors, if the participant is a “bad leaver” (for example resigns or ceases employment due to poor performance), any unvested options will immediately lapse and any vested options must be exercised within 60 days of ceasing employment after which time the vested options lapse; whereas if the participant is not a “bad leaver”, he/ she will be entitled to retain a pro-rata amount of unvested options (based on the proportion of the vesting period that has elapsed).

In the case of a director who participates in the Equity Incentive Plan and subject to the discretion of the Board of Directors, if a director ceases to hold office as a director of the Company all unvested options will lapse and all vested but exercised options will remain on foot and will be exercisable until the last exercise date (after which time they will lapse).

The Board of Directors also has power to deem that options will lapse or be forfeited 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 or if the Board determines there has been a material misstatement or omission in the financial statements that the Board of Directors considers may require a re-statement of the Group’s financial accounts.

In the event of a change of control, all unvested options will vest unless the Board determines otherwise.

(F) DETAILS OF REMUNERATION EXPENSES

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 accounting standards:

Table 12: Remuneration for the financial year ended 31 December 2018

	FIXED REMUNERATION				VARIABLE REMUNERATION				
	SALARY & FEES[(1)]	LEAVE[(2)]	SUPER-ANNUA-TION	OTHER	STI CASH[(3)]	STI SHARES[(3)]	LTI RIGHTS[(4)]	OPTIONS [(4)]	TOTAL
	US$	US$	US$	US$	US$	US$	US$		US$
NON-EXECUTIVE DIRECTORS									
J Askew[(5)]	138,122	-	-	-	-	-	-	-	138,122
S Riggall	82,315	-	7,820	-	-	-	-	-	90,135
J Caldeira	94,098	-	-	-	-	-	-	-	94,098
C Lampe-Onnerud[(6)]	85,997	-	-	-	-	-	-	-	85,997
L Bahash[(7)]	41,440	-	-	-	-	-	-	-	41,440
S Giorgini[(8)]	83,304	-	7,559	-	-	-	-	334,741	425,604
Sub-total Non-Executive Directors	**525,276**	**-**	**15,379**	**-**	**-**	**-**	**-**	**334,741**	**875,396**
EXECUTIVE DIRECTOR									
S Verner	352,003	4,528	16,481	9,938	-	174,106	179,306	197,817	934,179
Sub-total Executive Directors	**352,003**	**4,528**	**16,481**	**9,938**	**-**	**174,106**	**179,306**	**197,817**	**934,179**
KEY MANAGEMENT PERSONNEL									
D Corr	242,437	3,388	23,032	-	-	66,367	427,275	-	762,499
J Costa[(9)]	172,565	15,203	16,394	37,390	-	92,120	31,736	133,728	499,136
J Currie	224,340	5,957	21,312	-	-	92,120	61,281	421,751	826,761
J Morrissey	215,914	(4,982)	20,486	-	-	92,120	85,914	-	409,452
R Schaefer	224,340	5,011	21,312	-	-	79,837	75,072	55,344	460,916
Sub-total Key Management Personnel	**1,079,596**	**24,577**	**102,536**	**37,390**	**-**	**422,564**	**681,278**	**610,823**	**2,958,764**
TOTAL	**1,956,875**	**29,105**	**134,396**	**47,328**	**-**	**596,670**	**860,584**	**1,143,381**	**4,768,339**

(1) All amounts translated from Australian Dollars to United States Dollars at an average exchange for the year ended 31 December 2018 of 0.7478.

(2) Represents annual leave and long service leave entitlements, being the movement in the entitlements measured on an accrual basis during the financial period.

(3) Represents STI payments made in shares on 21 March 2019, in respect of performance for the year ended 31 December 2018 as approved by the Remuneration, Nomination and Governance Committee.

(4) Represents amounts expensed through the Company's profit and loss for performance rights and options issued under the Company's LTIP. These amounts are recognised in the Company's profit and loss over the vesting period in accordance with AASB 2 Share-based Payments.

(5) Directors fees paid to J Askew are paid to International Mining and Finance Corp, a company of which he is a Director.

(6) C Lampe-Onnerud ceased as a Non-Executive Director of the Company effective from 25 March 2019.

(7) L Bahash commenced as a Non-Executive Director of the Company effective from 16 July 2018.

(8) S Giorgini ceased as a Non-Executive Director of the Company effective from 6 December 2018.

(9) J Costa commenced employment with the Company as Chief Operating Officer on 4 June 2018.

Table 13: Remuneration for the financial year ended 31 December 2017

	FIXED REMUNERATION				VARIABLE REMUNERATION				
	SALARY & FEES[1]	LEAVE[2]	SUPER-ANNUA-TION	OTHER	STI CASH[3]	STI SHARES[3]	LTI RIGHTS[4]	OPTIONS [4]	TOTAL
	US$	US$	US$	US$	US$	US$	US$		US$
NON-EXECUTIVE DIRECTORS									
J Askew[5]	156,715	-	-	42,783[6]	-	-	-	-	199,498
S Riggall	91,169	-	8,661	-	-	-	-	-	99,830
J Caldeira	81,875	-	-	-	-	-	-	-	81,875
C Lampe-Onnerud[7]	99,146	-	-	-	-	-	-	217,217	316,363
S Giorgini[8]	16,832	-	1,599	-	-	-	-	84,433	102,864
R Brans[9]	94,966	-	9,022	-	-	-	-	-	103,988
Sub-total Non-Executive Directors	**540,703**	**-**	**19,282**	**42,783**	**-**	**-**	**-**	**301,650**	**904,418**
EXECUTIVE DIRECTORS									
S Verner[10]	339,475	13,825	27,373	2,112	109,213	109,213	89,568	213,902	904,681
Sub-total Executive Directors	**339,475**	**13,825**	**27,373**	**2,112**	**109,213**	**109,213**	**89,568**	**213,902**	**904,681**
KEY MANAGEMENT PERSONNEL									
D Corr	248,851	5,472	23,641	-	64,036	64,036	118,224	-	524,260
J Currie[11]	57,569	2,026	5,469	-	24,112	24,112	-	106,380	219,668
J Morrissey	211,087	7,429	20,053	-	54,317	54,317	49,689	-	396,892
R Schaefer[12]	191,300	10,746	18,174	-	46,753	46,753	35,080	288,775	637,581
D Strange[13]	440,391	-	-	322,384[13]	45,594	45,594	-128,506	-	725,457
Sub-total Key Management Personnel	**1,149,198**	**25,673**	**67,337**	**322,384**	**234,812**	**234,812**	**74,487**	**395,155**	**2,503,858**
TOTAL	**2,029,376**	**39,498**	**113,992**	**367,279**	**344,025**	**344,025**	**164,055**	**910,707**	**4,312,957**

(1) All amounts translated from Australian Dollars to United States Dollars at an average exchange for the year ended 31 December 2017 of 0.7676.
(2) Represents annual leave and long service leave entitlements, being the movement in the entitlements measured on an accrual basis during the financial period.
(3) Represents STI payments made in cash and shares for the year ended 31 December 2017 as approved by the then Remuneration and Nomination Committee.
(4) Represents amounts expensed through the Company's profit and loss for performance rights and options issued under the Company's LTIP. These amounts are recognised in the Company's profit and loss over the vesting period in accordance with AASB 2 Share-base Payments.
(5) Directors fees paid to J Askew are paid to International Mining and Finance Corp, a company of which he is a Director. J Askew acted as Executive Chairman of the Company from 5 October 2017 to 3 February 2017.
(6) Represents the current year portion of a payment of $148,880 (A$200,000) to J Askew for additional services provided to the Company as Executive Chairman from 5 October 2017 to 3 February 2017. This amount was paid in shares as approved at the Annual General Meeting held on 19 May 2017.
(7) C Lampe-Onnerud was issued 400,000 unlisted options on 24 May 2016 and are due to expire on 24 May 2019 in accordance with their terms.
(8) S Giorgini commenced as a Non-Executive Director of the Company effective from 16 October 2017. 400,000 unlisted options issued to S Giorgini, Non-Executive Director expired on 5 February 2019 in accordance with their terms, following Mr Giorgini's resignation on 6 December 2018.
(9) R Brans ceased as a Non-Executive Director of the Company effective from 31 December 2017.
(10) S Verner was appointed Managing Director and Chief Executive Officer on 3 February 2017.
(11) J Currie commenced employment with the Company on 2 October 2017 as Chief Legal Officer and Company Secretary (with appointment as Company Secretary on 16 October 2017).
(12) R Schaefer commenced employment with the Company as Chief Commercial Officer on 1 March 2017.
(13) D Strange ceased employment with the Company effective from 30 November 2017. Prior to his resignation, D Strange was seconded to Twigg Exploration and Mining Limitada ("Twigg"). During this secondment, he was based in Mozambique and entitled to a net monthly salary of US$25,000 from Twigg (gross annual equivalent of US$461,538 inclusive of income taxes paid in Mozambique). During his secondment he remained eligible to participate in the Group's STI and LTI programs. D Strange received a net payment of US$216,628 (gross equivalent of US$322,384 inclusive of income taxes paid in Mozambique) upon ceasing employment with the Company. He remained eligible to participate on a pro-rata basis in the Group's STI Program for the year ended 31 December 2017 (subject to an assessment of performance during the period in which he was employed) and forfeited his entitlement to unvested performance rights as at the date of ceasing employment.

(G) EXECUTIVE SERVICE AGREEMENTS

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

Table 14: Overview of Executive Service Agreements

NAME	POSITION	TERM OF AGREEMENT	TOTAL FIXED REMUNER-ATION	ANNUAL STI OPPORT-UNITY	ANNUAL LTI GRANT	NOTICE PERIOD BY EXECUTIVE	NOTICE PERIOD BY COMPANY	TERMINATION PAYMENT
S Verner	Managing Director and Chief Executive Officer	Ongoing	A$492,750	75% of TFR	75% of TFR	3 months	3 months	12 months Total Fixed Remuneration
D Corr	Chief Financial Officer	Ongoing	A$355,000	50% of TFR	50% of TFR	3 months	3 months	6 months Total Fixed Remuneration
J Costa	Chief Operating Officer	Ongoing	A$438,000	50% of TFR	50% of TFR	6 months	6 months	6 months Total Fixed Remuneration
J Currie	Chief Legal Officer and Company Secretary	Ongoing	A$328,500	50% of TFR	50% of TFR	3 months	3 months	3 months Total Fixed Remuneration
J Morrissey	Chief People Officer	Ongoing	A$328,500	50% of TFR	50% of TFR	3 months	3 months	3 months Total Fixed Remuneration
R Schaefer	Chief Commercial Officer	Ongoing	A$328,500	50% of TFR	50% of TFR	3 months	3 months	3 months Total Fixed Remuneration

(H) TERMS AND CONDITIONS OF SHARE-BASED PAYMENT ARRANGEMENTS

Performance Rights

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

Table 15: Overview of Performance Rights

GRANT DATE	VESTING DATE	EXERCISE PRICE	NUMBER OF RIGHTS	VALUE PER RIGHT AT GRANT DATE
17-May-16	01-Jan-19	-	58,543	A$3.47
21-Mar-17	01-Jan-20	-	161,691	A$2.88
26-May-17	01-Jan-20	-	121,773	A$2.88
14-Mar-18	01-Jan-20	-	14,269	A$2.88
14-Mar-18	01-Jan-21	-	166,954	A$3.93
21-Mar-19	01-Jan-22	-	523,491[1]	A$1.70

(1) 523,491 performance rights were issued to key management personnel pursuant to the LTI program in respect of the year ending 31 December 2018. The Board of Directors has also resolved to grant 217,558 performance rights to S Verner as his LTI, subject to shareholder approval.

The proportion of Performance Rights that vest is determined in accordance with the Vesting Conditions. Any Performance Rights that do not vest at the end of the Vesting Period will lapse. The LTIP provides that vested Performance Rights that have not been exercised or automatically exercised (depending on the terms of the relevant offer letter) will expire two years from the First Exercise Date (unless otherwise stated in the relevant offer letter or certificate). The Equity Incentive Plan provides that performance rights will lapse on the earlier of the date so nominated in the offer letter (2018: two years from the date of the vesting notice),15 years after allocation (if no date is specified), in accordance with the rules of the Equity Incentive Plan, upon a failure to meet a Vesting Condition (or any other applicable condition) or receipt of a notice from the participant electing to surrender the Right.

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:

Table 16: Overview of Options

GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER OF RIGHTS	VALUE PER RIGHT AT GRANT DATE
02-Oct-14	02-Oct-15	02-Oct-19	A$6.23[1]	400,000[2]	A$1.88
09-Jun-15	09-Jun-16	09-Jun-18	A$4.96[1]	300,000[3]	A$1.21
01-Dec-15	01-Dec-16	01-Dec-18	A$4.68[1]	1,000,000[4]	A$0.96
24-May-16	24-May-17	24-May-19	A$5.04[1]	400,000[5]	A$1.79
01-Mar-17	01-Mar-18	01-Mar-20	A$4.11[1]	600,000[6]	A$0.75
26-May-17	26-May-18	26-May-20	A$4.30[1]	1,000,000[7]	A$0.66
20-Oct-17	20-Oct-18	20-Oct-20	A$3.85	400,000[8]	A$1.39
20-Oct-17	20-Oct-18	20-Oct-20	A$4.67	600,000[9]	A$1.17

(1) Effective from 2 November 2017, the exercise price of these options was reduced by $0.03 (3 cents) per option in accordance with the terms of the Long-Term Incentive Plan dated 13 May 2015, ASX Listing Rules 3.11.2 and 6.22 as a result of the issuance of shares from a 1 for 10.5 accelerated non-renounceable entitlement offer.

(2) 400,000 unlisted options issued to J Caldeira, Non-Executive Director.

(3) 300,000 unlisted options issued to J Morrissey, Chief People Officer that expired during the period.

(4) 600,000 unlisted options issued to J Askew, Non-Executive Chairman and 400,000 unlisted options issued to S Riggall, Non-Executive Director that expired during the period.

(5) 400,000 unlisted options issued to C Lampe-Onnerud, Non-Executive Director, who ceased as a Non-Executive Director effective 25 March 2019. These options are due to expire on 24 May 2019 in accordance with their terms.

(6) 600,000 unlisted options issued to R Schaefer, Chief Commercial Officer.

(7) 1,000,000 unlisted options issued to S Verner, Managing Director and Chief Executive Officer on 26 May 2017 in accordance with resolution passed at the Annual General Meeting on 19 May 2017.

(8) 400,000 unlisted options issued to S Giorgini, Non-Executive Director that expired on 5 February 2019 in accordance with their terms following Mr Giorgini's resignation on 6 December 2018.

(9) 600,000 unlisted options issued to J Currie, Chief Legal Officer and Company Secretary.

(I) DIRECTORS 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:

Table 17: Shares Held by Directors/Key Management Personnel

	BALANCE 1 JANUARY 2018	ORDINARY SHARES GRANTED	ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS	ON MARKET ACQUISITIONS/ (DISPOSALS)	OTHER	BALANCE 31 DECEMBER 2018
DIRECTORS						
J Askew	100,790	-	-	-	6,727[1]	107,517
S Riggall	9,627	-	-	11,000	-	20,627
J Caldeira	-	-	-	12,082	-	12,082
C Lampe-Onnerud	-	-		-	-	-
L Bahash[2]	-	-	-	15,583	-	15,583
S Giorgini[3]	10,000	-	-	-	6,727[1]	16,727
EXECUTIVE DIRECTOR						
S Verner	6,284	42,220[4],[5]	-	25,000	6,727[1]	80,231
KEY MANAGEMENT PERSONNEL						
D Corr	46,584	28,010[5],[6],[7]	-	(15,000)	-	59,594
J Costa[8]	-	-	-	-	-	-
J Currie	-	9,321[5],[6]	-	-	-	9,321
J Morrissey	14,514	20,998[5],[6]	-	(6,000)	-	29,512
R Schaefer	10,998	18,074[5],[6]	-	-	-	29,072

(1) Shares acquired through participation in the Share Purchase Plan announced on 4 September 2018.

(2) L Bahash commenced as a Non-Executive Director of the Company on 16 July 2018.

(3) S Giorgini ceased as a Non-Executive Director of the Company effective from 6 December 2018.

(4) Fully paid ordinary shares issued to S Verner pursuant to the 2017 STI Program (50% of the STI for the 2017 year was paid in shares), as approved by shareholders at the Annual General Meeting on 17 May 2018.

(5) The Board of Directors resolved to issue 180,470 shares to S Verner and 438,009 shares to Key Management Personnel pursuant to the STI Program for the 2018 year. The shares issued to S Verner remain subject to shareholder approval at the Annual General Meeting. The shares issued to Key Management Personnel were issued on 21 March 2019 and are not included in the above reconciliation.

(6) Shares issued on 14 March 2018 pursuant to the STI Program in respect of the year ended 31 December 2017.

(7) Shares granted also includes the shares issued on exercise of the performance rights that vested under the 2015 LTI Program.

(8) J Costa commenced as Chief Operating Officer on 4 June 2018.

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.

Table 18: Performance Rights Held by Directors/Key Management Personnel

	GRANT	BALANCE 1 JANUARY 2018	GRANTED DURING THE PERIOD	LAPSED DURING THE PERIOD	NET CHANGE OTHER	BALANCE 31 DECEMBER 2018	VESTED	UNVESTED
DIRECTORS								
S Verner	2018[1]	-	93,974	-	-	93,974	-	93,974
	2017	121,773	-	-	-	121,773	-	121,773
	Total	**121,773**	**93,974**	**-**	**-**	**215,747**	**-**	**215,747**
KEY MANAGEMENT PERSONNEL								
D Corr	2018	-	45,136	-	-	45,136	-	45,136
	2018	-	118,663	-	-	118,663	-	118,663[2]
	2017	61,679	-	-	-	61,679	-	61,679
	2016	45,946	-	-	-	45,946	-	45,946[3]
	2015	44,170	-	(40,915)	(3,225)[4]	-	-	-
	Total	**151,795**	**163,799**	**(40,915)**	**(3,255)**	**271,424**	**-**	**271,424**
J Costa	2018	-	32,485	-	-	32,485	-	32,485
	Total	**-**	**32,485**	**-**	**-**	**32,485**	**-**	**32,485**
J Currie	2018	-	41,766	-	-	41,766	-	41,766
	2018	-	14,269	-	-	14,269	-	14,269[5]
	Total	**-**	**56,035**	**-**	**-**	**56,035**	**-**	**56,035**
J Morrissey	2018	-	38,286	-	-	38,286	-	38,286
	2017	52,319	-	-	-	52,319	-	52,319
	2016	12,597	-	-	-	12,597	-	12,597[3]
	Total	**64,916**	**38,286**	**-**	**-**	**103,202**	**-**	**103,202**
R Schaefer	2018	-	41,799	-	-	41,799	-	41,799
	2017	47,693	-	-	-	47,693	-	47,693
	Total	**47,693**	**41,799**	**-**	**-**	**89,492**	**-**	**89,492**

(1) The Board of Directors resolved to issue 217,558 performance rights to S Verner, subject to shareholder approval, and 523,491 performance rights to Key Management Personnel pursuant to the LTI program in respect of the year ending 31 December 2018. The performance rights issued to S Verner remain subject to shareholder approval. The performance rights issued to Key Management Personnel were issued on 21 March 2019 and are not included in the above reconciliation.

(2) Additional performance rights issued to D Corr on 14 March 2018 in lieu of options awarded to him in 2015 that were unable to be exercised and given the significant contribution made to the delivery of the project development and construction activities for the Balama Graphite Project and associated fundraising activities over the previous three years.

(3) The performance rights issued under the LTI Program in 2016, were subject to testing of vesting conditions in early 2019. All such rights lapsed on their terms.

(4) 7% of the performance rights granted for the 2015 financial year vested based on the TSR performance of Syrah of 51% in comparison to the average TSR of the comparator group of 43% over the performance period. 3,225 shares were exercised and issued on 14 March 2018 and the remaining rights lapsed on their terms.

(5) Performance rights issued on a pro-rata basis in respect of 2017 LTI Program entitlements and were granted on 14 March 2018.

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:

Table 19: Options Held by Directors/ Key Management Personnel

	BALANCE 1 JANUARY 2018	GRANTED BALANCE DURING THE PERIOD	OPTIONS EXERCISED	NET CHANGE OTHER (INC EXPIRY / LAPSE)	BALANCE 31 DECEMBER 2018	VESTED	UNVESTED	EXERCISE PRICE
DIRECTORS								
J Askew	600,000	-	-	(600,000)	-	-	-	$4.68
S Riggall	400,000	-	-	(400,000)	-	-	-	$4.68
J Caldeira	400,000	-	-	-	400,000	400,000	-	$6.23
C Lampe-Onnerud[1]	400,000	-	-	-	400,000	400,000	-	$5.04
S Giorgini[2]	400,000	-	-	-	400,000	400,000	-	$3.85
EXECUTIVE DIRECTOR								
S Verner[3]	1,000,000	-	-	-	1,000,000	1,000,000	-	$4.30
KEY MANAGEMENT PERSONNEL								
D Corr	600,000[4]	-	-	(600,000)	-	-	-	$4.05
J Costa[5]	-	600,000	-	-	600,000	600,000	-	$4.37
J Currie	600,000	-	-	-	600,000	600,000	-	$4.67
J Morrissey	300,000	-	-	(300,000)	-	-	-	$4.96
R Schaefer	600,000	-	-	-	600,000	600,000	-	$4.11

(1) 400,000 unlisted options issued to C Lampe-Onnerud, Non-Executive Director are due to expire effective 24 May 2019 in accordance with their terms.

(2) 400,000 unlisted options issued to S Giorgini, Non-Executive Director expired on 5 February 2019 in accordance with their terms following Mr Giorgini's resignation on 6 December 2018.

(3) 600,000 options were issued to S Verner on his appointment as Executive General Manager – Sales and Marketing. S Verner was appointed as Managing Director and Chief Executive Officer of the Company on 3 February 2017. As a result of this appointment the 600,000 options were cancelled and replaced with 1,000,000 unlisted options exercisable at A$4.30 and expiring in three years from the date of grant. The issuance of these options was approved by the shareholders at the Annual General Meeting held on 19 May 2017 and issued on 26 May 2017.

(4) These options were granted in 2015 and expired on 28 January 2018, during a share trading blackout period.

(5) J Costa commenced employment with the Company as Chief Operating Officer on 4 June 2018. 600,000 options were issued to J Costa upon his appointment and vest one year from that date.

(J) OTHER TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

Table 20: Transactions with Directors/ Key Management Personnel

	2018 US$	2017 US$
Provision of services		
Product technology development services provided Cadenza Innovation Inc(1)	1,990,282	1,501,800
Legal services provided by Sal & Caldeira Advogados, Lda(2)	125,950	384,045
Consultancy services provided by Proman Consulting Engineers Pty Ltd(3)	-	26,866
	2,116,232	**1,912,711**

(1) C Lampe-Onnerud who is a Non-Executive Director of the Company is also Founder and Chief Executive Officer of Cadenza Innovation Inc. During the year, the Company had an exclusive research and development agreement with Cadenza Innovation Inc. to fuel advancements in graphite anode technology for use in Lithium-ion-based energy storage and support the BAM processing plant in Louisiana. C Lampe-Onnerud ceased as a Non-Executive Director effective 25 March 2019.

(2) 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.

(3) Represents project development consultancy services provided to the Company by R Brans who was a Non-Executive Director of the Company until 31 December 2017.

These services are provided on arm's length commercial terms and conditions. Where any director has a conflict of interest they do not participate in any decision of the Board or management in relation to that matter.

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

	2018 US$	2017 US$
Trade and other payables	1,000	26,275

(K) ADDITIONAL INFORMATION

The Company aims to align executive remuneration to drive short, medium and long-term outcomes for the business which creates 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-DEC 2018	31-DEC 2017	31-DEC 2016	31-DEC 2015	30-JUN 2015
Market capitalisation (US$'000)	386,705	1,045,520	582,107	658,231	465,476
Closing share price (US$)	1.13	3.52	2.21	2.85	2.81
Loss after income tax for the period (US$'000)	(28,970)	(28,970)	(14,491)	(2,356)	(9,751)
Basic earnings per share (US cents)	(9.30)	(4.51)	(5.84)	(1.09)	(5.86)

SHARES OPTIONS AND PERFORMANCE RIGHTS

(i) 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:

Table 21: Unissued Ordinary Shares under Options and Performance Rights

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
Share Options					
Share Option Plan ("SOP")					
19-May-14	19-May-15	19-May-19	A$5.38[1]	500,000	A$2.24
02-Oct-14	02-Oct-15	02-Oct-19	A$6.23[1]	400,000	A$1.88
Long Term Incentive Plan ("LTIP")					
24-May-16	24-May-17	24-May-19	A$5.04[1,2]	400,000	A$1.79
01-Mar-17	01-Mar-18	01-Mar-20	A$4.11[1]	600,000	A$0.75
26-May-17	26-May-18	26-May-20	A$4.30[1]	1,000,000	A$0.66
20-Oct-17	20-Oct-18	20-Oct-20	A$4.13	300,000	A$1.31
20-Oct-17	20-Oct-18	20-Oct-20	A$4.67	600,000	A$1.17
Equity Incentive Plan ("EIP")					
25-Jun-18	04-Jun-18	25-Jun-21	A$4.37	600,000	A$0.518
Total Options				**4,400,000**	
Performance Rights					
LTIP					
21-Mar-17	01-Jan-20	-	-	247,944	A$2.88
26-May-17	01-Jan-20	-	-	121,773	A$2.88
14-Mar-18	01-Jan-20	-	-	25,850	A$2.88
14-Mar-18	01-Jan-21	-	-	302,615	A$3.93
14-Mar-18	01-Jan-19	-	-	118,663	A$3.37
18-May-18	31-Dec-20	-	-	93,974	A$3.93
EIP					
25-Jun-18	31-Dec-20	-	-	32,485	A$3.93
07-Aug-18	31-Dec-18	-	-	12,240	A$2.92
21-Mar-19	01-Jan-22			1,044,981[3]	A$1.70
Total Performance Rights				**2,000,525**	

(1) Effective from 2 November 2017, the exercise price of options was reduced by $0.03 (3 cents) per option in accordance with the terms of the options, ASX Listing Rule 3.11.2 and 6.22 as a result of the issuance of shares from a 1 for 10.5 accelerated renounceable entitlement offer.

(2) 400,000 unlisted options issued to C Lampe-Onnerud, Non-Executive Director are due to expire effective 24 May 2019 in accordance with their terms.

(3) The Board of Directors has also resolved to issue 217,558 performance rights to S Verner, subject to shareholder approval.

The proportion of Performance Rights that vest is determined in accordance with the Vesting Conditions. Any Performance Rights that do not vest at the end of the Vesting Period will lapse. The LTIP provides that vested Performance Rights will that have not been exercised or automatically exercised (depending on the terms of the relevant offer letter) will expire two year from the First Exercise Date (unless otherwise stated in the relevant offer letter or certificate). The Equity Incentive Plan provides that performance rights will lapse on the earlier of the date so nominated in the offer letter (2018: two years from the date of the vesting notice),15 years after allocation (if no date is specified), in accordance with the rules of the Equity Incentive Plan, upon failure to meet a Vesting Condition (or any other applicable condition) or receipt of a notice from the participant electing to surrender the Right.

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

(ii) Shares issued on exercise of options

No options were exercised during the year ended 31 December 2018 and up to the date of this report.

INDEMNIFICATION OF OFFICERS

During the year the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary 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. 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, secretary and executive officer. In summary the Deed provides for:

> Access to corporate records for each director, secretary or executive officer 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, secretary or executive officers 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.

AUDITOR

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

AUDIT AND NON-AUDIT SERVICES

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

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk 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.

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 for the following reasons:

> All non-audit services have been reviewed by the Audit and Risk 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 financial year 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.

	2018 US$'000	2017 US$'000
Assurance Services		
PwC Australian firm	224	150
Network firms of PwC Australian firm	93	94
Total remuneration for audit services	**317**	**244**
Non-assurance services		
Tax compliance services	47	29
Tax consulting services	15	66
Other consulting services	-	22
Total remuneration for non-assurance services	62	117
Total remuneration paid to PricewaterhouseCoopers	**379**	**361**

The Group's policy allows the engagement of 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 and Risk Committee to approve all individual assignments performed by PricewaterhouseCoopers with total fees of greater than $20,000.

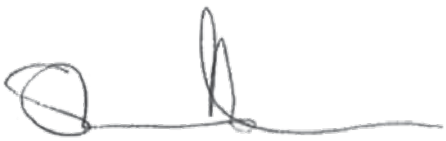
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 46.

ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial report have been rounded off to the nearest US$'000 (where rounding is applicable) under the relief available to the Company under ASIC Corporations (Rounding in Financial/ Directors Reports) Instrument 2016/191. The Company is an entity to which the Class Order applies.

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



Shaun Verner

Managing Director and Chief Executive Officer

Melbourne, Australia

29 March 2019

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Syrah Resources Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
29 March 2019

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

The financial statements are presented in US Dollars.

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

Level 28, 360 Collins Street
Melbourne VIC 3000 Australia

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 4 to 45, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 28 March 2019. The Directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available on our website: www.syrahresources.com.au

CONTENT		PAGE
Financial Statements		**47**
	Consolidated Statement of Comprehensive Income	48
	Consolidated Statement of Financial Position	49
	Consolidated Statement of Changes in Equity	50
	Consolidated Statement of Cash Flows	51
Notes to the Consolidated Financial Statements		**52**
NOTE	**HOW THE NUMBERS ARE CALCULATED**	**52**
1	Introduction	53
2	Segment information	54
3	Revenue	55
4	Other income	55
5	Expenses	56
6	Income tax	57
7	Financial assets and financial liabilities	58
8	Non-financial assets and non-financial liabilities	60
9	Equity	66
10	Reconciliation of loss after income tax to net cash outflow from operations	69
	RISK	**70**
11	Financial risk management	71
	UNRECOGNISED ITEMS	**74**
12	Commitments, contingencies and guarantees	75
13	Events occurring after the reporting date	75
	OTHER INFORMATION	**76**
14	Related party transactions	77
15	Share-based payments	78
16	Remuneration of auditors	81
17	Earnings per share	81
18	Parent entity financial statements	82
19	Subsidiaries	83
20	Deed of cross guarantee	84
21	Summary of significant accounting policies	86
Directors' Declaration		**95**
Independent Auditor's Report		**96**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 US$'000	2017 US$'000
Revenue from continuing operations	3	1,207	1,310
Other income	4	3	2,640
		1,210	3,950
Expenses			
Employee benefits	5	(10,222)	(7,552)
Legal and consulting	5	(1,973)	(3,718)
Depreciation and amortisation	8b	(513)	(299)
Foreign exchange loss – net		(1,155)	-
Other expenses	5	(18,184)	(3,273)
Loss from continuing operations before income tax		(30,837)	(10,892)
Income tax (expense)/benefit	6	1,867	(1,415)
Loss after income tax for the year attributable to the owners of Syrah Resources Limited		**(28,970)**	**(12,307)**
Other comprehensive income			
Items that may be reclassified subsequently to the profit or loss			
Exchange differences on translation of foreign subsidiaries	9b	(1,128)	6,641
Other comprehensive income /(loss) for the year, net of tax		**(1,128)**	**6,641**
Total comprehensive loss for the year attributable to the owners of Syrah Resources Limited		**(30,098)**	**(5,666)**
Loss per share attributable to the owners of Syrah Resources Limited		**Cents**	**Cents**
Basic loss per share	17	(9.30)	(4.51)
Diluted loss per share	17	(9.30)	(4.51)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	NOTES	2018 US$'000	2017 US$'000
Assets			
Current assets			
Cash and cash equivalents	7a	77,149	111,912
Trade and other receivables	7b	12,446	4,057
Available-for-sale financial assets		82	91
Total current assets		**89,677**	**116,060**
Non-current assets			
Trade and other receivables	7b	20,771	19,600
Property, plant and equipment	8b	31,442	9,013
Mining assets	8a	331,202	273,540
Intangibles		225	250
Deferred tax assets	8c	452	-
Total non-current assets		**384,092**	**302,403**
Total assets		**473,769**	**418,463**
Liabilities			
Current liabilities			
Trade and other payables	7c	15,926	13,923
Finance leases	7d	1,490	276
Provisions	8d	451	895
Total current liabilities		**17,867**	**15,094**
Non-current liabilities			
Finance leases	7d	4,102	1,000
Provisions	8d	6,590	8,318
Deferred tax liabilities	8c	-	1,415
Total non-current liabilities		**10,692**	**10,733**
Total liabilities		**28,559**	**25,827**
Net assets		**445,210**	**392,636**
Equity			
Issued capital	9a	525,085	452,601
Reserves	9b	(3,009)	(9,642)
Accumulated losses		(76,866)	(50,323)
Total equity		**445,210**	**392,636**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	CONTRIBUTED EQUITY	ACCUMULATED LOSSES	RESERVES	TOTAL EQUITY
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018	**452,601**	**(50,323)**	**(9,642)**	**392,636**
Loss after income tax expense for the year	-	(28,970)	-	(28,970)
Other comprehensive income for the year, net of tax	-	-	(1,128)	(1,128)
Total comprehensive income for the year	-	(28,970)	(1,128)	(30,098)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	71,229	-	-	71,229
Share-based payments	-	-	11,443	11,443
Transfers from share-based payments reserve:				
- Issuance of shares	1,255	-	(1,255)	-
- Expired / lapsed options and performance rights	-	2,427	(2,427)	-
	72,484	2,427	7,761	82,672
Balance at 31 December 2018	**525,085**	**(76,866)**	**(3,009)**	**445,210**
Balance at 1 January 2017	**366,427**	**(43,817)**	**(11,861)**	**310,749**
Loss after income tax expense for the year	-	(12,307)	-	(12,307)
Other comprehensive income for the year, net of tax	-	-	6,641	6,641
Total comprehensive income for the year	-	(12,307)	6,641	(5,666)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	85,278	-	-	85,278
Share-based payments			2,275	2,275
Transfers from share-based payments reserve:				
- Issuance of shares	298	-	(298)	-
- Exercise of options	598	-	(598)	-
- Expired / lapsed options	-	5,801	(5,801)	-
	86,174	5,801	(4,422)	87,553
Balance at 31 December 2017	**452,601**	**(50,323)**	**(9,642)**	**392,636**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	NOTES	US$'000	US$'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(11,128)	(11,907)
Interest received		1,106	1,181
Net cash outflow from operating activities	10	**(10,022)**	**(10,726)**
Cash flows from investing activities			
Payments for property, plant and equipment		(16,733)	(5,679)
Payments for mining assets		(76,608)	(118,386)
Payments for intangibles		(7)	(224)
Payments for security deposits		(1,243)	(2,694)
Net cash outflow from investing activities		**(94,591)**	**(126,983)**
Cash flows from financing activities			
Proceeds from issue of shares		73,598	88,461
Share issue transaction costs		(2,369)	(3,183)
Payments of finance lease liabilities		(693)	(157)
Net cash inflow from financing activities		**70,536**	**85,121**
Net decrease in cash and cash equivalents		(34,077)	(52,588)
Cash and cash equivalents at beginning of the financial year		111,912	163,275
Effects of exchange rate changes on cash and cash equivalents		(686)	1,225
Cash and cash equivalents at end of the financial year	7a	**77,149**	**111,912**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the Group, including:

a. accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction

b. analysis and sub-totals, including segment information

c. information about estimates and judgements made in relation to particular items.

NOTE	HOW THE NUMBERS ARE CALCULATED	PAGE
1	Introduction	53
2	Segment information	54
3	Revenue	55
4	Other income	55
5	Expenses	56
6	Income tax	57
7	Financial assets and financial liabilities	58
8	Non-financial assets and non-financial liabilities	60
9	Equity	66
10	Reconciliation of loss after income tax to net cash outflow from operations	69

NOTE 1. INTRODUCTION

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 the respective notes.

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 18.

b) Reporting currency

Functional and presentation currency

The presentation currency of the Group is US Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. The subsequent payment or receipt of funds related to a transaction is translated at the rate applicable on the date of payment or receipt. Monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences in the consolidated financial statements are taken to the Income Statement with the exception of exchange differences on certain US Dollar denominated receivables (held by the parent entity which has a functional currency of Australian Dollars) where the foreign currency components are deemed to be hedges of a net investment in a foreign operation. These are recognised in other comprehensive income and accumulated in a reserve until the amounts are settled or the foreign operation is disposed (for net investment hedges), at which time they are recognised in the Income Statement.

Translation

The assets and liabilities of entities within the group with functional currency other than US Dollars (being the presentation currency of the Group) are translated into US Dollars at the exchange rate at reporting date (31 December 2018: 0.7058) (31 December 2017: 0.7800) and the Statement of Profit or loss is translated at the average exchange rate for the financial year (2018: 0.7478) (2017: 0.7676). On consolidation, exchange differences arising from the translation of these subsidiaries are recognised in Other Comprehensive Income and accumulated in the foreign currency translation reserve.

NOTE 2. SEGMENT INFORMATION

a) Description of segments

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

The Group primarily monitors performance according to the following two segments:

Balama Mining, mineral exploration, evaluation, development and operating activities associated with the Balama Graphite Operation in Mozambique.

Corporate Corporate administration and investing activities, which currently includes assessment and development of downstream opportunities for graphite, including the BAM project.

b) Segment information

	BALAMA	CORPORATE	CONSOLIDATED
	US$'000	US$'000	US$'000
YEAR ENDED 31 DECEMBER 2018			
Revenues			
Interest income	-	1,207	1,207
Other income	3	-	3
Total revenues	3	1,207	1,210
Profit/(Loss) before income tax expense	(20,572)	(10,265)	(30,837)
Included within segment results:			
Employee benefits expense	(2,014)	(8,208)	(10,222)
Legal and consulting expenses	(865)	(1,108)	(1,973)
Depreciation and amortisation expense	(426)	(87)	(513)
Foreign exchange loss - net	(1,046)	(109)	(1,155)
Other expenses	(16,224)	(1,960)	(18,184)
Material non-cash items included in segment result:			
Share based payments			
- Employee benefits	-	(4,296)	(4,296)
- Non-controlling interests	(7,201)	-	(7,201)
	(7,201)	(4,296)	(11,497)
AS AT 31 DECEMBER 2018			
Assets			
Segment assets	369,452	104,317	473,769
Total assets	369,452	104,317	473,769
Liabilities			
Segment liabilities	(24,430)	(4,129)	(28,559)
Total liabilities	(24,430)	(4,129)	(28,559)
Additions to non-current non-financial assets	62,215	17,876	80,091

	BALAMA US$'000	CORPORATE US$'000	CONSOLIDATED US$'000
YEAR ENDED 31 DECEMBER 2017			
Revenues			
Interest income	-	1,310	1,310
Foreign exchange gain/(loss) – net	1,963	(484)	1,479
Other income	1,158	3	1,161
Total revenues	3,121	829	3,950
Profit/(Loss) before income tax expense	873	(11,765)	(10,892)
Included within segment results:			
Employee benefits expense	(834)	(6,718)	(7,552)
Legal and consulting expenses	(522)	(3,196)	(3,718)
Depreciation and amortisation expense	(150)	(149)	(299)
Other expenses	743	(2,530)	(3,273)
Material non-cash items included in segment result:			
Share based payments			
- Employee benefits	-	(2,018)	(2,018)
	-	(2,018)	(2,018)
AS AT 31 DECEMBER 2017			
Assets			
Segment assets	299,572	118,891	418,463
Total assets	299,572	118,891	418,463
Liabilities			
Segment liabilities	(22,872)	(2,955)	(25,827)
Total liabilities	(22,872)	(2,955)	(25,827)
Additions to non-current non-financial assets	113,992	6,557	120,549

NOTE 3. REVENUE

	2018 US$'000	2017 US$'000
Interest income	1,207	1,310
	1,207	1,310

NOTE 4. OTHER INCOME

	2018 US$'000	2017 US$'000
Net foreign exchange gain	-	1,479
Profit on disposal of assets	3	1,161
	3	2,640

NOTE 5. EXPENSES

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

	2018 US$'000	2017 US$'000
Employee benefits:		
Salaries and wages	5,227	4,836
Share-based payments	4,296	2,018
Employee entitlements	392	394
Defined contribution superannuation expense	307	304
Total employee benefits expense	10,222	7,552
Legal and consulting:		
Legal expenses	318	1,366
Consulting expenses	1,655	2,352
Total legal and consulting expenses	1,973	3,718
Other expenses:		
Write-off of certain mining assets and pre-commercial production operating costs[(1)]	7,433	-
Share based payments – non-controlling interest[(2)]	7,201	-

(1) Represents the Write-off of certain mining assets and a proportion of associated pre-commercial production operating costs due to major equipment failures (fine dryer damage and primary classifier screen fire) during the year.

(2) During the year ended 31 December 2018, Twigg Exploration and Mining Limitada (Twigg) entered into a Mining Agreement with the Ministry of Mineral Resources and Energy of the Republic of Mozambique creating a contractual obligation to provide a 5% non-controlling non-diluting interest in Twigg to a Mozambique Government entity. As at 31 December 2018, the issuance of shares to the Mozambique Government entity has not occurred however an expense has been recognised in the current year with a corresponding increase in the share-based payment reserve to reflect the contractual obligation to provide an interest in Twigg to a Mozambique Government entity (refer Note 15(d) for further details).

NOTE 6. INCOME TAX EXPENSE

a) Income tax expense

	2018	2017
	US$'000	US$'000
Current tax expense	-	-
Deferred tax expense	(1,867)	1,415
Total tax expense / (benefit)	(1,867)	1,415
Deferred income tax		
(Increase) / decrease in deferred tax assets	(452)	-
Increase / (decrease) in deferred tax liabilities	(1,415)	1,415
Total deferred tax expense / (benefit)	(1,867)	1,415

b) Numerical reconciliation of income tax for the year to prima facie tax payable

	2018	2017
	US$'000	US$'000
Loss from continuing operations before income tax	(30,837)	(10,892)
Tax at the Australian tax rate of 30% (2017 – 30%)	(9,251)	(3,268)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
- Share-based payments	3,450	605
- Other non-deductible expenses	2,212	1,437
- Difference in overseas tax rates	578	281
- Movement in unrecognised temporary differences	(1,172)	(726)
- (Under) / over provision in the prior year	1,341	(301)
- Current year taxation losses not recognised as deferred tax assets	410	3,387
- Sundry items	565	-
Income tax expense / (benefit)	(1,867)	1,415

c) Taxation losses and unrecognised temporary differences

	2018	2017
	US$'000	US$'000
Unused taxation losses for which no deferred tax asset has been recognised in Australia	33,001	31,634
Potential taxation benefit at 30%	9,900	9,490
Temporary differences for which no deferred tax asset (net) has been recognised	409	558

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 in the respective jurisdictions and within the allowed timeframes for tax loss utilization.

> 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 7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a) Cash and cash equivalents

	2018	2017
	US$'000	US$'000
Cash at bank and in hand	8,133	15,721
Deposits at call	69,016	96,191
	77,149	111,912

Total cash is held in current accounts or money market 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 2018 the weighted average interest rate on current accounts and term deposits was 2.05% (2017: 1.21%).

(i) Risk exposure

The Group's exposure to foreign exchange and interest rate risk is discussed in Note 11. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

b) Trade and other receivables

	2018	2017
	US$'000	US$'000
Current		
Trade receivables	6,799	-
Prepayments	4,274	2,874
Other receivables	1,365	1,031
Input tax credits	8	152
Total current trade and other receivables	12,446	4,057
Non-current		
Input tax credits	16,768	16,374
Security deposits (1)	4,003	2,889
Other receivables	-	337
Total non-current trade and other receivables	20,771	19,600

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

(i) Classification of trade receivables

Trade receivables are amounts due from customers from the sale of graphite. They are generally due for settlement within 30 days and therefore are all classified as current.

(ii) 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 11.

(iii) Fair value measurement 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 11 for more information on the credit quality of the Group's trade and other receivables.

Significant estimates and judgements

Input tax credits in Twigg Exploration and Mining Limitada amounting to $16.8 million (31 December 2017: $16.4 million) have been recognised at cost. The Group views these input tax credits as recoverable through a cash refund or tax credits based on interpretation of the relevant tax and investment laws. During the year ended 31 December 2018, cash refunds totaling $5.6 million for inputs tax credits were received. 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. The outstanding balance for input tax credit are classified as non-current due to uncertainties on the timing of receipts.

c) Trade and other payables

	2018	2017
	US$'000	**US$'000**
Trade payables and accruals	14,880	12,441
Other payables	1,046	1,482
	15,926	13,923

(i) 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 11.

(ii) Fair value measurement

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

d) Finance leases

	2018	2017
	US$'000	**US$'000**
Current	1,490	276
Finance leases	1,490	276
Non-current	4,102	1,000
Finance leases	4,102	1,000

Finance leases relate to equipment that is included in Plant and Equipment. The finance lease liability is secured against this equipment which reverts to the lessor in the event of default.

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

a) Mining assets

	2018	2017
	US$'000	US$'000
Exploration and evaluation	1,306	988
Mine properties and development	33,297	33,297
Mines under construction	296,599	239,255
Total mining assets	331,202	273,540

Movements in mine properties and development are set out below:

	EXPLORATION AND EVALUATION	MINE PROPERTIES AND DEVELOPMENT	MINES UNDER CONSTRUCTION	TOTAL
	US$'000	US$'000	US$'000	US$'000
For the financial year ended 31 December 2018				
Balance at beginning of the year	988	33,297	239,255	273,540
Current year expenditure capitalised (net)	321	-	59,692	60,013
Change in decommissioning and restoration provision	-	-	(1,795)	(1,795)
Exchange differences	(3)	-	(553)	(556)
Balance at end of the year	1,306	33,297	296,599	331,202
For the financial year ended 31 December 2017				
Balance at beginning of the year	890	31,094	123,328	155,312
Current year expenditure capitalised	39	-	108,824	108,863
Change in decommissioning and restoration provision	-	-	3,742	3,742
Exchange differences	59	2,203	3,361	5,623
Balance at end of the year	988	33,297	239,255	273,540

Exploration and evaluation

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

Mines properties and development and Mines under construction

Mines properties and development and Mines under construction mainly relate to the development, construction and pre-commercial production costs of the Balama Graphite Operation in Mozambique.

b) Property, plant and equipment

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	COMPUTER EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2018					
Cost	797	3,056	214	6,553	10,620
Accumulated depreciation and impairment	(112)	(1,374)	(121)	-	(1,607)
Net book amount	**685**	**1,682**	**93**	**6,553**	**9,013**
For the financial year ended 31 December 2018					
Balance at beginning of the year	685	1,682	93	6,553	9,013
Additions	-	4,719	12	18,715	23,446
Disposals (at net book value)	-	(21)	-	-	(21)
Depreciation charge	(46)	(739)	(42)	-	(827)
Exchange differences	-	21	(4)	(186)	(169)
Balance at end of the year	**639**	**5,662**	**59**	**25,082**	**31,442**
At 31 December 2018					
Cost	797	7,753	214	25,082	33,846
Accumulated depreciation and impairment	(158)	(2,091)	(155)	-	(2,404)
Net book amount	**639**	**5,662**	**59**	**25,082**	**31,442**
At 1 January 2017					
Cost	797	2,465	184	-	3,446
Accumulated depreciation and impairment	(67)	(1,572)	(71)	-	(1,710)
Net book amount	**730**	**893**	**113**	**-**	**1,736**
For the financial year ended 31 December 2017					
Balance at beginning of the year	730	893	113	-	1,736
Additions	-	1,396	22	6,525	7,943
Disposals (at net book value)	-	(100)	-	-	(100)
Depreciation charge	(45)	(749)	(48)	-	(842)
Exchange differences	-	242	6	28	276
Balance at end of the year	**685**	**1,682**	**93**	**6,553**	**9,013**
At 31 December 2017					
Cost	797	3,056	214	6,553	10,620
Accumulated depreciation and impairment	(112)	(1,374)	(121)	-	(1,607)
Net book amount	**685**	**1,682**	**93**	**6,553**	**9,013**

Assets under construction

Assets Under Construction at 31 December 2018 consists of capitalised project and product development costs for the downstream Battery Anode Material (BAM) project.

Depreciation charge

Of the total depreciation charge for the financial year ended 31 December 2018, $0.5 million was charged to profit or loss (2017: $0.3 million), and $0.3 million was capitalised to mine properties and development (2017: $0.6 million).

Leased assets

Property, plant and equipment includes equipment of $5.3 million (2017: $1.3 million) that is held through a finance lease arrangement. The leased equipment is also encumbered as security for the corresponding lease liability of $5.6 million (2017: $1.3 million).

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The Company considers the relationship between its market capitalisation and its book value among other factors, when reviewing for indicators for impairment. As at 31 December 2018, the market capitalisation of the Company was below the book value of net assets which is considered an indicator of a potential trigger for the impairment of assets.

The Group has conducted a carrying value analysis to determine the recoverable amount of the Balama Graphite Operation and Battery Anode Material (BAM) Project Cash Generating Units (CGUs) and has not identified any impairment to the carrying values of non-current assets as at 31 December 2018.

Balama Graphite Operation CGU

(i) Methodology

An impairment loss is recognised for a Cash Generating Unit (CGU) when the recoverable amount is less than the carrying amount. The recoverable amount of the Balama Graphite Operation CGU was determined by assessing the fair value less costs of disposal (FVLCOD) of the underlying assets. FVLCOD is estimated based on the net present value of estimated future cash flows (the valuation is classified as level 3 in the fair value hierarchy due to unobservable inputs in the valuation).

Future cash flows and recoverable amount are based on a number of assumptions, including commodity price expectations, foreign exchange rates, discount rates, reserves and resources and expectations regarding future operating performance and capital requirements which are subject to risk and uncertainty. An adverse change in one or more of the assumptions used to estimate fair value could result in a reduction of the CGU's fair value. The costs of disposal have been estimated by management based on standard industry practice.

(ii) Key Assumptions

The net present value of estimated future cash flows for the Balama Graphite Operation CGU as at 31 December 2018 is based on significant assumptions including:

> Commodity prices – future weighted average product prices are estimated with reference to the Group's assessment of short and long-term prices for each key flake and fines graphite product and also based on an estimate of the flake to fines size distribution ratio that improves to a long-term assumption over a period of 6 years. The short-term prices take account of existing sales contracts and increases to the Group's assessment of long-term price over a period of 6 years in line with industry supply and demand forecasts for the lithium-ion battery industry. The long-term prices for each graphite product are derived from a combination of management assessments of the marginal costs of current producers and of the incentive price for future potential producers which management estimates to be consistent with the assumptions that a market participant would be expected to use on a FVLCOD basis based on available published analyst information. Short and long-term prices were updated for 31 December 2018 reporting purposes and are reviewed at least annually.

> Foreign exchange rates – future exchange rates for the Mozambique Metical (MZN) compared to the US Dollar are set based on external forecasts and are kept constant in real terms after five years.

> Reserves and resources – life of mine production mainly based on ore reserves with a portion of the mineral resources as compiled by a Competent Person in accordance with the Australian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the JORC 2012 code). The extraction, processing and sale of mineral resources that do not qualify for inclusion as ore reserves is only included when there is a higher degree of confidence that they are economically recoverable. The additional evaluation required to achieve ore reserves status for mineral resources has not yet been performed as this would involve incurring evaluation costs earlier than is required for efficient planning and operation of the mine.

> Operating performance (production, operating costs and capital costs) – life of mine production, operating cost and capital cost assumptions are based on the Group's most recent life of mine plan and reflect the progressive ramp-up to name-plate production capacity in line with industry supply and demand forecasts for the lithium-ion battery industry. In the longer term, operating margins are assumed to remain constant. No life of mine (including an estimate of the residual value of unprocessed lower grade stockpiles and unmined mineral resources), operating cost or capital investment improvement or optimization benefits have been included in the estimated future cash flows. Management continues to progress various strategic initiatives to further maximise the future free cash flows and the recoverable amount of the CGU as estimated on a FVLCOD basis.

> Discount rate - estimated future cash flows have been discounted to their present value using a capital asset pricing model to estimate a post-tax real discount rate that reflects a current market assessment of the time value of money and risks specific to the CGU.

(iii) Future changes in assumptions

It is estimated that reasonably possible changes in the following key assumptions within the next financial year would have the following approximate impact on the recoverable amount of the Balama Graphite Operation CGU as at 31 December 2018:

+/- 5% movement in the graphite price per tonner (CIF Nacala)	$68 million
1 MZN movement in the USD:MZN exchange rate	$ 4 million
+/- 2% increase in estimated operating costs per tonne	$17 million
0.25% movement in the discount rate	$10 million

They key assumptions to which the calculation of the recoverable amount is most sensitive are graphite prices and the progressive ramp-up to name-plate production capacity noting that a delay in the ramp-up would reduce revenues and impact unit operating costs. A reasonably possible change in circumstances may affect these key assumptions, and the fair value and potentially result in a material adjustment to the carrying value of the Balama Graphite Operation. Action is usually taken to respond to adverse changes in assumptions to mitigate the impact of any such change. If the carrying amount is assessed to be impaired as a result of any such changes, the impairment charge is recognised in the profit or loss in the period in which the changes arise.

Battery Anode Material (BAM) CGU

The Group's Battery Anode Material (BAM) strategy is evolving as the lithium-ion battery market and associated supply chains develop and is premised upon maintaining strategic optionality to accelerate the Group's entry into the final BAM product market by:

1. Rapid development of a qualification plant and production of BAM products (5kt per annum milling capacity, batch scale purification capability) from a purpose-built facility in Vidalia, Louisiana, USA to capture first mover advantage and establish a core ex-Asia supply chain position for BAM products
2. Progression of strategic relationship discussions; and
3. Finalisation of studies for a commercial scale BAM development

The accumulated investment of the Group's BAM investment is presented as an Asset Under Construction and is recorded at a cost of US$25.1 million as at 31 December 2018. There are no indicators of any adverse changes to the key assumptions underlying the strategic investment decision which indicate that the accumulated investment in BAM will not be recovered.

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 change in ore reserves and resources and 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.

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.

Declaration of commercial production

The Balama Graphite Operation achieved first production of saleable Flake graphite in November 2017 and saleable Fines graphite in December 2017. During the year ended 31 December 2018, the Balama Graphite Operation remained in the production ramp-up phase and did not achieve commercial production. Consequently, all commissioning and production ramp-up costs incurred at Balama, net of any revenue derived from the sale of graphite, have been capitalised against project development costs.

The major criteria considered in terms of declaring commercial production, include, but may not be limited to the following:

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

Subsequent to 31 December 2018, the Company announced the declaration of commercial production at the Balama Graphite Operation. Effective from 1 January 2019 all revenues from the sale of graphite will be recognised as income in the period in which they are earned, and operating costs incurred, net of inventory movements, will be expensed in the period in which they are incurred. Depreciation and amortisation of capitalised project development and construction costs will also commence effective from 1 January 2019.

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.

c) Deferred tax balances

	2018	2017
	US$'000	US$'000
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Financial liabilities	333	-
Taxation losses	21,435	-
Total deferred tax assets	21,768	-
Deferred tax liabilities:		
Mining assets	(21,316)	-
Financial liabilities	-	(1,415)
Total deferred tax liabilities	(21,316)	(1,415)
Net deferred tax assets / (liabilities)	452	(1,415)

Movements in deferred tax balances

31 December 2018

	BALANCE AT 1 JANUARY 2018	(CHARGED) / CREDITED TO PROFIT OR LOSS	BALANCE AT 31 DECEMBER 2018
Deferred tax assets			
Financial liabilities	-	333	333
Taxation losses	-	21,435	21,435
	-	21,768	21,768
Deferred tax liabilities			
Mining assets	-	(21,316)	(21,316)
Financial liabilities	(1,415)	1,415	-
	(1,415)	(19,901)	(21,316)
Net deferred tax assets	(1,415)	1,867	452

31 December 2017

	BALANCE AT 1 JANUARY 2017	(CHARGED) / CREDITED TO PROFIT OR LOSS	BALANCE AT 31 DECEMBER 2017
Deferred tax liabilities			
Financial liabilities	-	(1,415)	(1,415)
	-	(1,415)	(1,415)

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 in 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 deferred tax assets include an amount of MZN 1.3 billion (US$21.4 million) which relates to carried forward tax losses of Twigg Exploration and Mining Limitada (Twigg). The subsidiary has incurred the tax losses during the ramp-up of production of the Balama Graphite Operation with the majority incurred during the year ended 31 December 2018. The Group has concluded that the deferred tax assets will be recoverable based on estimated future cash flows and related forecast tax payments for Twigg using the significant assumptions described in Note 8 – Impairment of non-current assets. Taxation losses in Mozambique are able to be deducted from future taxable profits during one or more of the five subsequent years.

d) Provisions

	2018	2017
	US$'000	US$'000
Current		
Employee benefits	451	696
Other provisions	-	199
	451	895
Non-current		
Employee benefits	29	33
Decommissioning and restoration	6,561	8,285
	6,590	8,318

Movements in decommissioning and restoration provision

	2018	2017
	US$'000	US$'000
Balance at beginning of the year	8,285	4,504
Additional provisions:		
- Capitalised to mines under construction (Note 8a)	(1,795)	3,742
- Unwind of discount	71	39
Balance at end of the year	6,561	8,285

Employee benefits

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

Decommissioning and restoration

Decommissioning, dismantling of property, plant and equipment and restoration are normal for the mining industry, and the majority of this expenditure will be 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), the estimated future level of inflation, and time value of money.

Significant Estimates and Judgements

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 industry 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.

The provision is the present value of estimated future expenditure to restore the current level of disturbance. 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 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 9. EQUITY

a) Issued capital

	2018	2017	2018	2017
	SHARES	SHARES	US$'000	US$'000
Issued and fully paid ordinary shares	343,603,692	297,022,766	525,085	452,601
	343,603,692	297,022,766	525,085	452,601

(i) Movements in ordinary share capital

	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE (A$)	TOTAL US$'000
31 December 2018			
Balance at beginning of the year	297,022,766		452,601
Issue of new shares:			
- Institutional placement	42,152,467	A$2.23	67,219
- Share purchase plan	4,017,010	A$2.23	6,379
- Equity-settled remuneration	411,449	-(1)	-
Transfers from share-based payment reserve(2)	-		1,255
Capital raising costs	-		(2,369)
Balance at end of the year	343,603,692		525,085
31 December 2017			
Balance at beginning of the year	263,757,392		366,427
Issue of new shares:			
- Institutional placement	21,729,775	A$3.38	57,450
- Entitlement offer	10,812,001	A$3.38	29,148
- Exercise of options	600,000	A$4.05	1,863
- Equity-settled remuneration	123,598	-(1)	-
Transfers from share-based payment reserve(2)	-		896
Capital raising costs	-		(3,183)
Balance at end of the year	297,022,766		452,601

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

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

(ii) 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.

(iii) 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 year and options outstanding at the end of the financial year are set out in Note 15.

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.

(iv) Share buy-back

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

(v) 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.

(vi) Non-controlling interests

A contractual obligation exists to issue a non-controlling non-diluting 5% interest in Twigg Exploration and Mining Limitada to a Mozambique Government entity. As at 31 December 2018, the issuance of shares to the Mozambique Government entity has not occurred. A non-controlling interest in Twigg will be recognised after the issuance of shares to the Mozambique Government entity (Refer to Note 15 (d) for further details).

b) Reserves

	2018	2017
	US$'000	**US$'000**
Foreign currency translation reserve	(16,992)	(15,864)
Share-based payments reserve	13,983	6,222
	(3,009)	(9,642)

(i) Movements in reserves

Movements in each class of reserve are set out below:

	FOREIGN CURRENCY RESERVE	SHARE-BASED PAYMENTS RESERVE	TOTAL
	US$'000	**US$'000**	**US$'000**
31 December 2018			
Balance at beginning of the year	(15,864)	6,222	(9,642)
Foreign currency translation	(1,128)	-	(1,128)
Share-based payments	-	11,443	11,443
Issuance of shares	-	(1,255)	(1,255)
Transfer of expired/ lapsed options and performance rights	-	(2,427)	(2,427)
Balance at end of the year	(16,992)	13,983	(3,009)
31 December 2017			
Balance at beginning of the year	(22,505)	10,644	(11,861)
Foreign currency translation	6,641	-	6,641
Share-based payments	-	2,275	2,275
Issuance of shares	-	(298)	(298)
Exercise of options	-	(598)	(598)
Transfer of expired/ lapsed options and performance rights	-	(5,801)	(5,801)
Balance at end of the year	(15,864)	6,222	(9,642)

(ii) Nature and purpose of reserves

Foreign currency reserve

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

The Group assesses the functional currency of each entity in the consolidated group when there are changes in circumstances that could result in a change in the currency that predominantly influences the economic results of each respective entity. With effect from 1 January 2017, the functional currency of Twigg Exploration and Mining Limitada was changed from Mozambique Meticals (MZN) to the United States Dollar (USD) on the basis that the USD is the currency that predominately influences the revenues, expenditures and financing activities of this entity going forward.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity benefits and equity-settled contractual obligations issued by the Company (Refer Note 15(b) for further details).

NOTE 10. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2018	2017
	US$'000	US$'000
Loss after income tax expense for the year	(28,970)	(12,307)
Adjustments for:		
Depreciation and amortisation expense	513	299
Share-based payments	11,443	2,018
Write-off of certain mining assets and pre-commerical production operating costs	7,415	-
Unwind of discount on provisions	71	48
Gain on fixed assets disposal	(3)	(1,161)
Net foreign exchange (gain)/ loss	693	(1,831)
Changes in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	748	(412)
(Increase) / decrease in deferred tax assets	(21,768)	
Increase / (decrease) in trade and other payables	(437)	655
Increase / (decrease) in provisions	372	550
Increase / (decrease) in deferred tax liabilities	19,901	1,415
Net cash outflow from operating activities	(10,022)	(10,726)

RISK

This section of the notes discusses the group's exposure to various risk and shows how these could affect the group's financial position and performance.

NOTE	RISK	PAGE
11	Financial risk management	71

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NOTE 11. 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 the Audit and Risk Committee under guidelines established by the Board. The Group holds the following financial instruments:

	2018	2017
	US$'000	US$'000
Financial Assets		
Cash and cash equivalents	77,149	111,912
Trade and other receivables	33,217	23,657
Available-for-sale financial assets	82	91
	110,448	135,660
Financial Liabilities		
Trade and other payables	15,926	13,923
Finance leases	5,592	1,276
	21,518	15,199

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) and Mozambican Meticals (MZN).

Foreign exchange risk arises from recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency and the impact of exchange rate movements on net investment in foreign subsidiaries. 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. The Group's exposure to foreign currency risk at the reporting date, expressed in USD, was as follows:

	2018	2017
	US$'000	US$'000
Assets		
- US Dollars (1)	1,059	2,414
- Mozambique Meticals	21,735	19,965
- Other	25	-
	22,819	22,379
Liabilities		
- US Dollars	443	2,194
- Mozambique Meticals	5,350	3,116
- South African Rand	401	495
- Australian Dollars	283	29
	6,477	5,834
Net surplus/(deficit) position	16,342	16,545

(1) Relates to US Dollar denominated financial assets and liabilities held by the parent entity, Syrah Resources Limited, which has an Australian Dollar functional currency.

Group sensitivity

Based on the financial instruments held at 31 December 2018 and the net investments in foreign subsidiaries, had the USD strengthened/weakened by 5% against the above currencies with all other variables held constant, the impact on consolidated results for the financial year would have changed as follow:

	IMPACT ON LOSS AFTER TAX (HIGHER)/ LOWER		IMPACT ON EQUITY HIGHER/ (LOWER)	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
USD +5%	(779)	(789)	(19,126)	(17,569)
USD -5%	861	872	23,057	19,418

(i) 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 entity does not hold any financial assets or liabilities whose fair value would be impacted by interest rates. A reasonably possible movement in interest rates would not have a material impact on the consolidated results or equity for the year.

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 as well as amounts owing from the sale of graphite to customers.

The Group limits its counterparty credit risk on liquid funds by dealing only with reputable global banks or financial institutions. The Group's cash reserves are also spread amongst financial institutions to reduce concentration of credit risk.

The Group has policies in place to manage exposures to customers from the sale of graphite including credit coverage by the issuance of letters of credit from high credit quality financial institutions and limits on credit exposures to individual customers where there is no letter of credit by setting maximum credit exposures for individual customs and the group and not releasing bills of lading until receipt of the amount outstanding. Credit exposure limits are approved by the Audit and Risk Committee.

At 31 December 2018 the trade receivables balance was $6.8 million (2017: NIL), with $2.7 million covered by letters of credit and $4.0 million covered within the maximum credit exposures for individual customers and by the non-release of the bill of lading pending the receipt of the amount owing. There was $0.1 million of trade receivables overdue at 31 December 2018 which was fully recovered in early 2019.

c) Liquidity risk

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

The Group continues to ramp-up the production of saleable graphite products from the Balama Graphite Operation but is not yet cashflow positive. The Company may require additional financing, in addition to cash reserves, to meet operating and capital expenditure requirements for the Balama Graphite Operation, general and administrative expenditures and BAM project activities. The Company is debt free and considers that it has both internal and external options to manage group liquidity including raising additional funding which may include both debt and equity sources of funding.

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.

AS AT 31 DECEMBER 2018	LESS THAN 6 MONTHS	BETWEEN 6-12 MONTHS	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	TOTAL CONTRAC-TUAL CASH FLOWS	CARRYING AMOUNT LIABILITIES
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-derivatives						
Non-interest bearing						
- Trade and other payables	15,926	-	-	-	15,926	15,926
Interest bearing						
- Finance lease liability	745	745	1,582	4,092	7,164	5,592
Total non-derivative liabilities	16,671	745	1,582	4,092	23,090	21,518

AS AT 31 DECEMBER 2017	LESS THAN 6 MONTHS	BETWEEN 6-12 MONTHS	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	TOTAL CONTRAC-TUAL CASH FLOWS	CARRYING AMOUNT LIABILITIES
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-derivatives						
Non-interest bearing						
- Trade and other payables	13,923	-	-	-	13,923	13,923
Interest bearing						
- Finance lease liability	138	138	276	1,002	1,554	1,276
Total non-derivative liabilities	14,061	138	276	1,002	15,477	15,199

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 modelled to determine sensitivities of the Group's financial position and capital requirements under different circumstances and/ or potential outcomes.

UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

NOTE	UNRECOGNISED ITEMS	PAGE
12	Commitments, contingencies and guarantees	75
13	Events occurring after the reporting date	75

NOTE 12. 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:

	2018	2017
	US$'000	US$'000
Mine properties and development	-	3,903
Property, plant and equipment	3,010	5,320
Total capital commitments	3,010	9,223

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

b) Operating lease expenditure commitments

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

	2018	2017
	US$'000	US$'000
Within one year	5,333	316
After one year but not more than five years	24,114	532
Minimum lease payments	29,447	848

c) Contingencies

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

d) Guarantees

Bank guarantees have been provided by Twigg Exploration and Mining Limitada, which unconditionally and irrevocably guarantee in favor of the Ministry of Mineral Resources and Energy (MIREME) in Mozambique, the due and punctual payment of amounts up to a maximum amount of MZN238 million (US$3.7 million) as at 31 December 2018 (2017: US$2.5 million) in relation to the rehabilitation or removal of project infrastructure as per the mine closure plan for the Balama Project.

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

NOTE 13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 14 January 2019, the Company announced the declaration of commercial production at the Balama Graphite Operation with effect from 1 January 2019 following a review of its operating metrics against the criteria discussed in Note 8 of these financial statements. Effective from 1 January 2019 all revenues from the sale of graphite will be recognised as income in the period in which they are earned, and operating costs incurred, net of inventory movements, will be expensed in the period in which they are incurred. Depreciation and amortisation of capitalised project development and construction costs will also commence effective from 1 January 2019.

No other event has occurred subsequent to 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the state of affairs in future financial periods.

OTHER INFORMATION

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

NOTE	OTHER INFORMATION	PAGE
14	Related party transactions	77
15	Share-based payments	78
16	Remuneration of auditors	81
17	Earnings per share	81
18	Parent entity financial statements	82
19	Subsidiaries	83
20	Deed of cross guarantee	84
21	Summary of significant accounting policies	86

NOTE 14. 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 19.

c) Key management personnel compensation

	2018	2017
	US$	**US$**
Short-term employee benefits	1,985,980	2,412,899
Post-employment benefits	134,396	113,992
Other benefits	47,328	367,279
Share-based payments	2,600,635	1,418,787
	4,768,339	4,312,957

Detailed remuneration disclosures are provided in the Remuneration Report on pages 22 to 44 of the Annual Report.

d) Transactions with related parties

Transactions with related parties are set out below:

	2018	2017
	US$	**US$**
Purchases of goods and services		
Technology and Product Development services provided by Cadenza Innovation Inc.(1)	1,990,282	1,501,800
Legal services provided by Sal & Caldeira Advogados, Lda(2)	125,950	384,045
Consultancy services provided by Proman Consulting Engineers Pty Ltd (3)	-	26,866
	2,116,232	1,912,711

(1) C Lampe-Onnerud was a Non-Executive Director of the Company until 25 March 2019 and is also Founder and Chief Executive Officer of Cadenza Innovation Inc. During the year, the Company had an exclusive research and development agreement with Cadenza Innovation Inc. to fuel advancements in graphite anode technology for use in lithium-ion-based energy storage and support the BAM processing plant in Louisiana.

(2) 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.

(3) Represents consultancy services provided to the Company by R Brans who was a Non-Executive Director of the Company until 31 December 2017.

e) Outstanding balances arising from purchases of goods and services

	2018	2017
	US$	**US$**
Trade and other payables		
Related parties	1,000	26,275
	1,000	26,275

NOTE 15. 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 align their interests with those of shareholders by linking rewards to the long term success of the Company and its financial performance.

(i) Equity Incentive Plan (EIP)

The EIP was established and approved by shareholders at an Annual General Meeting held on 17 May 2018, ("Equity Incentive Plan") and applies to all shares, performance rights and options offered for grant from 17 May 2018 onwards. Under the EIP, the Company may 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 the Board of Directors. Any performance rights, options and shares granted under the EIP may be subject to such vesting conditions (if any) as determined by the Board of Directors.

(ii) 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. No further options, performance rights or shares will be issued under this plan.

(iii) 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.

Measurement

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 the Black-Scholes model considering the terms and conditions upon which the instruments were granted and based upon the assumptions detailed above. 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.

b) Summary and movement of options on issue

The table below summarises the number, weighted average exercise prices and movements in Options on issue during the financial year:

	2018		2017	
	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS
Balance at beginning of the year	A$4.70	6,750,000	A$5.16	8,675,000
Granted during the year	A$4.37	600,000	A$4.26	2,900,000
Exercised during the year (1)	-	-	A$4.05	(600,000)
Expired during the year	A$4.78	(2,550,000)	A$5.40	(4,225,000)
Balance at end of the year	A$4.62	4,800,000	A$4.70	6,750,000
Vested and exercisable at end of year	A$4.05	4,200,000	A$5.03	3,850,000

(1) There were no options exercised during the year ended 31 December 2018. The weighted average share price at the date of exercise of options during the year ended 31 December 2017 was A$4.39.

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.

The outstanding balance of options as at 31 December 2018 is represented by:

	2018		2017	
	NUMBER OF OPTIONS	EXERCISE PRICE RANGE	NUMBER OF OPTIONS	EXERCISE PRICE RANGE
Options issued as part of the EIP	600,000	$4.37	-	-
Options issued as part of the LTIP	3,300,000	A$3.85 to A$5.04	4,300,000	A$3.85 to A$5.09
Options issued as part of the SOP	900,000	A$5.38 to A$6.23	2,450,000	A$4.05 to A$6.23

Share options outstanding at the end of the financial year have the following expiry dates and exercise prices:

			2018	2017
GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER	NUMBER
19-May-14	19-May-19	A$5.38	500,000	500,000
02-Oct-14	02-Oct-19	A$6.23	400,000	800,000
28-Jan-15	28-Jan-18	A$4.05	-	600,000
09-Jun-15	09-Jun-18	A$4.96	-	300,000
26-Oct-15	26-Oct-20	A$4.35	-	250,000
01-Dec-15	01-Dec-18	A$4.68	-	1,000,000
24-May-16	24-May-19	A$5.04	400,000	400,000
01-Mar-17	01-Mar-20	A$4.11	600,000	600,000
26-May-17	26-May-20	A$4.30	1,000,000	1,000,000
20-Oct-17	20-Oct-20	A$4.13	300,000	300,000
20-Oct-17	20-Oct-20	A$4.67	600,000	600,000
20-Oct-17	20-Oct-20	A$3.85	400,000	400,000
25-Jun-18	25-Jun-21	A$4.37	600,000	-
TOTAL Options			**4,800,000**	**6,750,000**
Weighted average remaining contractual life of options outstanding at the end of the year			1.37 years	1.75 years

Fair value of options granted

For the options granted during the current financial year, 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(1)	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE AT GRANT DATE
25-Jun-18	25-Jun-21	A$2.73	A$4.37	47.10%	-	2.09%	A$0.52

(1) Expected volatility was calculated based on the historical market share price for the 12-month period prior to the Grant Date.

c) Summary and movement of performance rights on issue

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

	2018	2017
	NUMBER	NUMBER
Balance at the beginning of the year	710,783	324,754
Granted during the year	632,716	600,543
Exercised during the period	(78,255)	-
Lapsed during the year	(175,213)	-
Forfeited during the year	-	(214,514)
Balance at the end of the year	1,090,031	710,783
At 31 December 2018:		
- Vested	-	144,170
- Unvested	1,090,031	566,613
	1,090,031	710,783
Performance testing dates for unvested Performance Rights above are as follows:		
- 31 December 2018	265,390	136,437
- 31 December 2019	395,567	430,176
- 31 December 2020	429,074	-
	1,090,031	566,613

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

d) Non-controlling interests

A contractual obligation exists to issue a non-controlling non-diluting 5% interest in Twigg Exploration and Mining Limitada to a Mozambique Government entity. As at 31 December 2018, the issuance of shares to the Mozambique Government entity has not occurred however an expense has been recognised in the current year with a corresponding increase in the share-based payment reserve to reflect the fair value of the equity instruments to be granted. The fair value has been determined based on the net present value of asset level estimated future cash flows, using the significant assumptions described in Note 8 – Impairment of non-current assets, and discounted for the lack of control and lack of marketability.

e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the financial year were as follows:

	2018	2017
	US$'000	US$'000
Recognised in profit and loss:		
Employee benefits		
- Options issued under the LTIP and SOP	1,380	1,665
- Performance rights issued under the LTIP	1,121	310
- Equity settled remuneration	1,795	43
Non-controlling interests	7,201	-
	11,497	2,018
Capitalised as mining assets	(54)	257
	11,443	2,275

NOTE 16. REMUNERATION OF AUDITORS

During the financial year 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.

	2018	2017
	US$'000	**US$'000**
Assurance services:		
PwC Australian firm	224	150
Network firms of PwC Australian firm	93	94
Total remuneration for audit services	317	244
Non-assurance services:		
Tax compliance services	47	29
Tax consulting services	15	66
Other consulting services	-	22
Total remuneration for non-assurance services	62	117
Total remuneration paid to PricewaterhouseCoopers	**379**	**361**

NOTE 17. EARNINGS PER SHARE

	2018	2017
	US Cents	**US Cents**
Earnings/ (losses) per share		
Basic loss per share	(9.30)	(4.51)
Diluted loss per share	(9.30)	(4.51)

a) Reconciliations of earnings used in calculating earnings per share

	2018	2017
	US$'000	**US$'000**
Basic loss		
Total profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic loss per share	(28,970)	(12,307)
Diluted loss		
Total profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted loss per share	(28,970)	(12,307)

b) Weighted average number of shares used as the denominator

	2018	2017
	NUMBER	**NUMBER**
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	311,589,011	273,133,506
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	311,589,011	273,133,506

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 18. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

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

	2018 US$'000	2017 US$'000
Balance sheet		
Current assets	21,950	22,625
Total assets	**442,660**	**421,394**
Current liabilities	1,141	3,947
Total liabilities	**1,170**	**3,980**
Shareholders' equity		
Issued capital	525,085	452,601
Reserves	(27,175)	12,454
Accumulated losses	(56,421)	(47,641)
Total equity	**441,489**	**417,414**
Loss after income tax for the year	**(11,207)**	**(12,072)**
Other comprehensive income	(40,190)	23,864
Total comprehensive income for the year	**(51,397)**	**11,792**

b) Contingent liabilities of the parent entity

The parent entity has no contingent liabilities as at 31 December 2018 and 31 December 2017.

c) Guarantees of the parent entity

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

NOTE 19. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 21.

		PERCENTAGE OF EQUITY INTEREST HELD BY THE GROUP	
NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	2018 (%)	2017 (%)
Jacana Resources Pty Ltd[1]	Australia	100	100
Syrah Resources (KSA) Pty Ltd	Australia	100	100
Twigg Exploration and Mining, Limitada	Mozambique	100[2]	100
Jacana Resources (Zambia) Ltd	Zambia	100	100
Syrah Resources Saudi Arabia LLC	Saudi Arabia	100	100
Syrah Resources Group Holdings Pty Ltd	Australia	100	100
Syrah Resources and Trading DMCC	United Arab Emirates	100	100
Syrah Global DMCC	United Arab Emirates	100	100
Syrah US Holdings Pty Ltd[3]	Australia	100	100
Syrah Technologies LLC[4]	United States of America	100	100

(1) Jacana Resources Pty Ltd (formerly Jacana Resources Limited) changed from company limited by shares to proprietary limited company effective from 6 April 2018.

(2) Twigg Exploration and Mining Limitada (Twigg) entered into a Mining Agreement with the Ministry of Mineral Resources and Energy of the Republic of Mozambique creating a contractual obligation to provide a 5% non-controlling non-diluting interest in Twigg to a Mozambique Government entity. As at 31 December 2018, the issuance of shares to the Mozambique Government entity had not occurred. A non-controlling interest in Twigg will be recognised after the issuance of shares to the Mozambique Government entity.

(3) Syrah US Holdings Pty Ltd was incorporated on 15 February 2017.

(4) Syrah Technologies LLC was incorporated on 23 February 2017.

NOTE 20. DEED OF CROSS GUARANTEE

The following entities are party to a deed of cross guarantee (Deed), as defined in ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (ASIC Instrument):

Syrah Resources Limited

Jacana Resources Proprietary Limited (formerly Jacana Resources Limited)

The above companies represent a 'Closed Group' for the purposes of the ASIC Instrument, and as there are no other parties to the Deed that are controlled by Syrah Resources Limited, they also represent the 'Extended Closed Group'. The effect of the Deed is that each party to the Deed guarantees the debts of the other entities in the Closed Group in the event of winding up.

Pursuant to the ASIC Instrument, the eligible wholly-owned entities within the Closed Group have been relieved from the requirement to prepare financial statements and a directors' report under the ASIC Instrument issued by the Australian Securities and Investments Commission (ASIC).

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

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

	2018	2017
	US$'000	US$'000
Consolidated statement of comprehensive income		
Revenue from continuing operations	194	289
Other income	-	3
Expenses:		
Employee benefits expense	(8,209)	(6,495)
Legal and consulting expense	(1,064)	(2,937)
Depreciation and amortisation expense	(87)	(147)
Foreign exchange loss - net	(97)	(463)
Other expenses	(1,944)	(2,322)
Loss for the year before income tax expense	(11,207)	(12,072)
Income tax expense	-	-
Loss after income tax expense for the year	**(11,207)**	**(12,072)**
Other comprehensive income		
Exchange differences on translation of foreign subsidiaries	(39,320)	23,203
Total comprehensive income for the year	**(50,527)**	**11,131**
Summary of movements in consolidated accumulated losses		
Balance at beginning of the year	(48,659)	(42,388)
Loss after income tax expense for the year	(11,207)	(12,072)
Transfer from share-based payment reserve	2,427	5,801
Balance at end of the year	**(57,439)**	**(48,659)**

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 year for the 'Closed Group'.

	2018	2017
	US$'000	US$'000
Current assets		
Cash and cash equivalents	13,552	13,218
Trade and other receivables	124	263
Available-for-sale financial assets	82	91
Total current assets	**13,758**	**13,572**
Non-current assets		
Mine properties and development	16,793	17,331
Exploration and evaluation	53	-
Property, plant and equipment	2,167	2,029
Investments in subsidiaries	411,853	389,825
Intangibles	21	39
Other receivables	283	-
Total non-current assets	**431,170**	**409,224**
Total assets	**444,928**	**422,796**
Current liabilities		
Trade and other payables	929	3,459
Provisions	212	488
Total current liabilities	**1,141**	**3,947**
Non-current liabilities		
Provisions	29	33
Total non-current liabilities	**29**	**33**
Total liabilities	**1,170**	**3,980**
Net assets		
	443,758	**418,816**
Equity		
Issued capital	525,085	452,601
Reserves	(23,888)	14,874
Accumulated losses	(57,439)	(48,659)
Total equity	**443,758**	**418,816**

NOTE 21. 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) 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 2018 and the results of all subsidiaries for the financial year 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 19.

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.

b) 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 2 for further information on segment descriptions.

c) 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 United States Dollars (USD).

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.

d) 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:

Sales of Graphite

The Group recognises revenue related to the sale of graphite when control of the goods passes to customers and the amount of revenue can be measured reliably. The majority of the Group's sales arrangements specify that control passes when the product is transferred to the vessel on which the product will be shipped. Revenues are generally recognised on the bill of lading date. Revenue is recognised and measured at the fair value of the consideration received or receivable, net of agency commissions. Sales arrangements allow for an adjustment to the sales price based on a survey of the goods by the customer (an assay for mineral content and particle size distribution). If necessary, adjustments to sales revenues arising from a survey of the goods by the customer are accounted for in the period in which the Group agrees to such adjustments.

The Group sells a significant proportion of its products on CFR and CIF Incoterms. This means that the Group is responsible for providing shipping services after the date at which control of the goods passes to the customer at the loading port. The Group treats freight, where applicable, as a separate performance obligation and therefore recognises the revenue and associated costs over time.

Revenue related to the sale of graphite during the commissioning and production ramp-up phase, prior to the declaration of commercial production is treated as pre-commercial production income and recognised as a credit against capitalised project development costs (refer to note 8).

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.

e) 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 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.

f) 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.

g) 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 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.

h) 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 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.

i) Trade and other receivables

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

j) Inventories

Inventories are valued at the lower of weighted average cost and estimated net realizable value. Cost is determined primarily on the basis of weighted average costs and comprises of the purchase price of direct materials and the costs of production which include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- depreciation of mining assets, property, plant and equipment used in the extraction and processing of ore; and
- production overheads directly attributable to the extraction and processing of ore.

Stockpiles represent ore that has been extracted and is available for further processing and work-in progress includes partly processed material. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as mined. If the ore will not be processed within 12 months after the balance sheet date it is included within non-current assets. Quantities of stockpiled ore are assessed primarily through surveys and assays.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, including royalties.

The cost of inventories (ore stocks, consumable stores and finished products) during the commissioning and production ramp-up phase, prior to the declaration of commercial production is included in mining assets (refer note 8).

k) 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	3 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.

l) 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 5 years.

m) 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 relate on a units of 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 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 8.

n) 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; and
- 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 8).

o) 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.

p) 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.

q) 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 assess 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.

r) 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.

s) 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.

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.

t) 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 the 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.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the 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.

u) 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.

v) 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.

w) 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.

x) 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.

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.

y) Comparative figures

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

z) Rounding of amounts

The amounts contained in the financial report have been rounded off to the nearest $'000 (where rounding is applicable) under the relief available to the Company under ASIC Corporations (Rounding in Financial Reports) Instrument 2016/191. The Company is an entity to which the Class Order applies.

aa) New accounting standards and interpretations

New and amended standards adopted by the group The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB16 Leases (effective from 1 January 2019)

Accounting Standard AASB 16 Leases replaces AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*. The new standard sets out a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It applies a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee. The new standard removes the distinction between operating and finance leases. Instead, all leases other than short term or low value asset leases are recognised on the balance sheet as a right of use asset representing the lessee's entitlement to the benefits of the identified asset over the lease term, and a lease liability representing the lessee's obligation to make lease payments in future. For leases currently classified and treated under AASB 117 as operating leases, lease expenses will be replaced with amortisation of the right of use asset and interest expense on the lease liability.

The Group has evaluated the impact of the new accounting standard and determined that the impact on the balance sheet as at 31 December 2018 is an increase in lease related assets and an increase in lease liabilities of $7.4 million. The impact on the statement of comprehensive income is not expected to be material. The Group has implemented the new standard effective from 1 January 2019.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 47 to 94 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 2018 and of its performance for the year 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 20 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 20.

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.

Shaun Verner

Managing Director and Chief Executive Officer

Melbourne, Australia

29 March 2019

AUDITOR'S REPORT

For personal use only

Independent auditor's report

To the members of Syrah Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Syrah Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group’s operations consist principally of the Balama Graphite Project located in Mozambique, as well as the downstream strategy to produce spherical graphite (Battery Anode Material Project).

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of US$4.78 million, which represents approximately 1% of the Group’s total assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose the Group's total assets because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, given the stage of development of the Balama Project and that commercial production had not yet been declared at balance date. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable asset-related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Australian engagement team directed the involvement of the Mozambique component audit team, which performed an audit of the financial information of Twigg Exploration & Mining Limitada given its financial significance to the Group. Their procedures included a visit to the Balama Graphite Operation. • We, the Australian Group engagement team, determined and undertook an appropriate level of involvement in the work performed by the Mozambique component audit team, in order for us to be satisfied that sufficient audit evidence had been obtained to support our opinion on the Group financial report as a whole. We had regular communication with the Mozambique component audit team throughout the year and performed a review of their audit working papers. .	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Liquidity and capital management – Carrying value of assets • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Liquidity and capital management *(Refer to note 11 (C))* To support its basis of preparation of the financial statements, the Group has prepared a forecast of its cash flows, which includes a number of assumptions about the ramp-up of the Balama Graphite Operation such as production volume, mix and grades, expected revenues from production, and operating and capital costs. There are risks associated with the ramp-up, cash flow conservation and the ability to obtain a debt facility or alternative sources of financing. As a result, our assessment of liquidity and capital management as it relates to the basis of preparation of the financial statements is considered a key audit matter.	We assessed the main assumptions in the Group's cash flow forecast for at least 12 months from the date of signing the auditor's report, by performing the following procedures, amongst others: • We assessed the reasonableness of the commodity prices used in the forecast against available information • We evaluated the risks surrounding the continued ramp-up of production and timing and volume of sales forecasts including the Group's view of future supply and demand. We also read a sample of the contracts currently in place with customers • We compared a sample of significant operational and capital cash outflows in the model to the budget approved by the Board, and where appropriate to relevant contracts • We compared actual revenue and cost outcomes for the prior period and the current year to date to Group forecasts to assess the historical accuracy of the budgeting processes We evaluated the Group's potential opportunities for cash conservation as well as options for raising additional funds. We also considered the appropriateness of the liquidity risk disclosures included within the financial statements, in light of the requirements of Australian Accounting Standards.
Carrying value of assets *(Refer to note 8 (B))* Syrah's Balama Graphite Operation in Mozambique remained in the development phase throughout the year ended 31 December 2018. During the year, the Group capitalised costs of $57.7 million which increased the carrying value of the mining assets at 31 December 2018 to $331.2 million. During the year ended 31 December 2018, the Group prepared a discounted cashflow model (the model) to determine the recoverable amount of the Balama Graphite Operation CGU, which requires a number of assumptions as described in Note 8 (B). Given the financial significance of the amounts capitalised and the amount of judgement and estimation uncertainty involved this has been identified	We evaluated the cash flow forecasts in the model and developed our understanding of the process by which they were prepared. In order to assess the Group's historical ability to make reliable forecasts, we compared current year (2018) actual results with the figures included in the original budget. We assessed: • The total production profile and the mix between flake and fines production in the model by comparing them to the latest published mineral reserves and resources statement and other technical reports. • The reasonableness of the continuing production ramp up schedule and discussed with operational

pwc

Key audit matter	How our audit addressed the key audit matter
as a key audit matter.	management as part of our evaluation of the risks involved; • The short term graphite price in the model by comparing it to current prices being achieved by the Group and by developing an understanding of and evaluating the transition path between the short and long term price; • The long term graphite price in the model by developing an understanding of and evaluating the Group's supply/demand analysis and also by comparing it to industry and broker forecasts; • Whether the operating and capital expenditure forecasts were consistent with the latest approved Life of Mine plan and budget; • The discount rate used in the model by assessing the cost of capital for the Group, including involving PwC valuations experts, and comparing it to market data and industry research; • The logical integrity and mathematical accuracy of the model's calculations • The adequacy of the disclosures made in note 8 (B), including those regarding the key estimates/assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 22 to 44 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of Syrah Resources Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

29 March 2019

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 21 March 2018 except where otherwise indicated.

EQUITY SECURITY HOLDERS

TOP 20 LARGEST QUOTED SECURITY HOLDERS AS AT 15 MARCH 2019

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

RANK	NAME	UNITS	% OF UNITS
1.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	102,062,702	29.70
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	53,276,618	15.50
3.	CITICORP NOMINEES PTY LIMITED	30,835,715	8.97
4.	UBS NOMINEES PTY LTD	7,552,620	2.20
5.	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	7,182,235	2.09
6.	COPPER STRIKE	6,815,842	1.98
7.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	5,168,905	1.50
8.	BNP PARIBAS NOMS PTY LTD <DRP>	3,336,545	0.97
9.	BNP PARIBAS NOMS (NZ) LTD <DRP>	2,748,102	0.80
10.	UBS NOMINEES PTY LTD	2,354,465	0.69
11.	NATIONAL NOMINEES LIMITED	1,950,890	0.57
12.	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,228,289	0.36
13.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,206,155	0.35
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,190,570	0.35
15.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,185,887	0.35
16.	VICTORIA FAIRBANK PROPRIETARY LIMITED	1,184,458	0.34
17.	GLENALTA PTY LTD	1,000,000	0.29
18.	MR DAVID ALLEN PARKER + MRS HELEN THIRZA JANE PARKER <PARKER SUPER FUND A/C>	1,000,000	0.29
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	983,402	0.29
20.	MR ALLAN RUSSELL GRACO + MRS CAROLE JOY GRACO <GRACO SUPER FUND A/C>	944,800	0.27
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**233,208,200**	**67.87**
Total Remaining Holders Balance		**110,419,972**	**32.13**

UNQUOTED EQUITY SECURITIES AS AT 22 MARCH 2019

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options over ordinary shares	4,400,000	8
Performance rights over ordinary shares	2,000,525	24

SUBSTANTIAL HOLDERS

An extract of the Company's Register of Substantial Shareholders as at 19 March 2019 is set out below:

RANK	NAME	UNITS	% OF UNITS
1	AustralianSuper	51,791,561	15.07
2	Regal Funds Management Pty Limited	32,266,647	9.39
3	UBS Group AG	27,364,999	7.96

DISTRIBUTION OF EQUITABLE SECURITIES

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

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 100	2,292	1,428,962	0.42
101 – 1,000	3,621	9,622,500	2.80
1,001 – 10,000	1,430	11,080,046	3.22
10,001 – 100,000	1,929	52,658,416	15.32
>100,001	182	268,838,248	78.24
Rounding			0.00
Total			**100.00**

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.

TENEMENT SCHEDULE AS AT 19 MARCH 2019

PROJECT	LICENSE NUMBER	LICENSE TYPE	COUNTRY	INTEREST OWNED
Balama	6432C	Mining Concession	Mozambique	100%
Balama[(1)]	5684L	Exploration	Mozambique	100%
Balama[(1)]	6174L	Exploration	Mozambique	100%

(1) Syrah has entered into a Tenement Sale Agreement (TSA) for the acquisition of a tenement (Tenement) in Balama currently held on trust by 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. Due to an administrative decision to use district boundaries to define mineral titles, Exploration Licence 5684L was split into two, with one half retaining the original licence number and the other half being designated Exploration Licence 6174L. There was no change to the total value of the contingent consideration because of this administrative decision. Exploration Licence 5684L is in the process of renewal.

SYRAH RESOURCES

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