SYRAH RESOURCES

Annual Report 2019

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*
Sara Watts *Non-Executive Director*

COMPANY SECRETARY

Melanie Leydin

REGISTERED AND CORPORATE OFFICES

Corporate Head Office - Melbourne
Syrah Resources Limited
Level 28, 360 Collins Street
Melbourne VIC 3000
Telephone: +61 3 9670 7264
Email: enquiries@syrahresources.com.au
Website: www.syrahresources.com.au

Dubai Office
Syrah Global DMCC
Office 22F, Gold Tower, Cluster I,
Jumeirah Lakes Towers
Dubai, United Arab Emirates
Telephone: +971 4244 5955
Email: marketing@syrahresources.com.au

Mozambique Office
Twigg Exploration and Mining Limitada
Millennium Park Building
Avenida Vladimir Lenine
Nr 174, Block B, Level 5
Maputo, Mozambique
Website: www.twigg.co.mz

Louisiana Office
Syrah Technologies LLC
2001 D. A.
Biglane Road, Vidalia
LA, 71373
United States of America

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Telephone: 1300 850 505 (within Australia)
+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)

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

2019 HIGHLIGHTS

> Strong health and safety record with Total Recordable Injury Frequency Rate (TRIFR) of 0.6 as at end of 2019

> Demonstrated capability to produce high grade, low impurity products from Balama Graphite Operation ("Balama") in Mozambique, with production of 153kt in 2019

> Position in the global natural graphite market further established, with 123% increase in sales in 2019 versus prior year (163kt in 2019 versus 73kt in 2018)

> Progression of strategy to become the first ex-China vertically integrated producer of active anode material, with installation of batch scale spherical graphite purification plant completed at the Battery Anode Material ("BAM") project in the USA and first production of purified spherical graphite, with purity of >99.95% carbon achieved

CHAIRMAN'S LETTER

For the past two years, Syrah's key focus has been on establishing products from Balama in key markets and geographies – the most important of those being the active anode material market, and China. Balama product quality continues to have strong market acceptance with substantial sales into China, which we saw transition from a net export to a net import position for natural graphite during 2019.

Significant operational progress was made at Balama with the ongoing embedding of operational management systems and processes that improved plant reliability, process control and product quality, and optimised outbound logistics. Balama continued to embed and mature its governance processes in-line with the Company's Risk Management Framework and Crisis and Emergency Management Procedures.

Although Balama was positioned operationally for continued production ramp-up, natural graphite market demand was lower than expected during H2 2019, primarily due to lower year-on-year Electric Vehicle ("EV") sales growth in China during the second half of the year. We view this demand weakness as short-term given China's ambitious targets for longer term EV sales remain intact. Notwithstanding, the weaker than expected demand in 2019 caused a market imbalance in the third quarter, resulting in downward pressure on global natural graphite prices and led to the decision to moderate production at Balama and undertake a companywide cost restructure in the last quarter of the year.

Despite a year of challenging market conditions and significant operational change, Syrah continued its positive experience operating in Mozambique. The company has not wavered in its commitment to be a constructive corporate citizen in Mozambique and to the host communities, with the cost restructure being executed with preservation of existing Environmental Social and Governance ("ESG") best practices and in-line with the company's core values. We are proud of our safety record, which combined with our environmental and community initiatives underpin our license to operate.

An equity issue during the year positions Syrah's balance sheet to navigate near term market imbalances in an orderly manner. A Convertible Note issue was announced in conjunction with the equity issue in the second quarter which had a 120-day option to allow for completion of an in-progress process to assess debt funding options. The 120-day option period coincided with the sudden and material drop in prices observed through the third quarter, and subsequently the Convertible Note was issued.

As foreshowed in my 2018 Chairman's letter, we made one additional appointment to the Board in 2019 with the appointment of Sara Watts. Sara brings significant audit and risk committee experience and over 30 years of financial, operational and international experience.

Balama's scale, quality and low production costs at full production capacity are key competitive advantage enablers in the delivery of Syrah's BAM strategy. We have made important progress with our anode material processing facility in Louisiana, USA and during the year reached an important milestone of first purified spherical graphite production from our Vidalia facility.

The primary focus for 2020 will be to further establish Balama's position in the Lithium-ion battery supply chain by ensuring that the asset is adaptable to market conditions, and the ongoing development of our downstream business. At the time of writing, the commercial and market impact of COVID 19 through 2020 remains unclear. However, it has already accentuated the issues relating to current supply chain concentration in China and the criticality of ex-China supply chains.

We thank you for your continued support and we expect improved demand in end user markets to translate to improvement in the equity value of your stockholding. 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 natural graphite producer and downstream anode company globally.

Jim Askew
Chairman

MANAGING DIRECTOR AND CEO’S LETTER

Syrah’s licence to operate is underpinned by Health, Safety, Environmental and Community (“HSEC”) performance. Through 2019, Syrah focused on further embedding the highest international HSEC standards and performance into our operational, commercial and corporate activity. Balama continued to demonstrate best practice safety performance, with a Total Recordable Injury Frequency Rate ("TRIFR") of 0.6 as at 31 December 2019. Compliance with all environmental license conditions and increasing community commitment made through the Balama Local Development Committee were also achieved through the year, with Syrah and its Mozambican subsidiary recognised with several ESG related awards.

Significant operational progress was made at Balama with embedding of management systems and processes that improved plant reliability during 2019. Production for the year was 153kt of natural graphite, which whilst lower than planned primarily due to market conditions prevailing in the second half of the year still saw Balama become the largest integrated natural graphite producer in the world.

The ongoing ramp-up of Balama toward operational capacity of ~350kt per annum was premised on the ongoing growth in the end user demand for natural graphite in battery manufacture for energy storage and particularly in EVs. Softer than previously expected demand growth in this market through 2019 prompted an operational review to adapt the asset to prevailing market conditions. Specifically, a companywide cost restructure was undertaken and Balama output was moderated to lower production levels to mitigate impacts on the global market balance, and on Syrah’s cashflow.

Several factors contributed to market imbalances in the battery raw materials supply chain observed during 2019. After a long period of growth, global auto sales had the most significant slump since the 2008 financial crisis. This decline in auto sales coincided with Chinese Central Government EV subsidy reductions and an increase in supply of battery raw materials. In the early part of 2020, significant disruption to global supply chains is occurring as a result of COVID 19, with the full impact not yet known.

Despite short-term headwinds in EV end market demand, significant growth in this market over the longer term is increasingly certain. The market is going through a normal supply and pricing evolution, and Syrah is very well placed to work through and adapt to this period, and more importantly emerge as stronger business with an even lower cost base.

We continue to review further cost reduction initiatives to stabilise operations at lower volumes into 2020, whilst ensuring the operation continues to be underpinned by the highest HSEC operational standards. The outstanding commitment of operational leadership team at Balama to learning and innovation, and the high level of local employment commitment provide confidence that further improvements will be achieved.

Syrah’s sales and marketing strategy continues to be focused on long term diversification across customers, market segments and geographies, with a key focus on development in the Lithium-ion battery sector. In a short space of time we have established Balama as the globally significant supplier of high-quality natural graphite into this key sector.

During the year, Syrah’s sales into the key natural graphite end market of China were driven through our Dubai Marketing Hub and our in-country sales liaison, and we were pleased to announce a major sales agreement with Gredmann (HK) Limited, (“Gredmann”) for supply of fines natural graphite across a range of fixed carbon grades, with direct sales by Syrah continuing to certain key end users.

Almost all active anode material for the Lithium-ion battery supply chain is currently produced in Asia between China, Japan and Korea. Critically 100% of natural graphite precursor production (purified spherical graphite) is produced in China – a situation that is not sustainable for long term global battery manufacturing capacity growth. Awareness of this risk of supply chain concentration has been heightened through US/China trade restrictions in 2019 and the more recent impacts from COVID 19 disruption. Over the past year both the USA and Europe have formally identified graphite supply as a strategic raw material for future battery production. Through development of the Vidalia BAM operation, Syrah is positioning to become a complementary and alternate potential source of supply for purified spherical graphite and active anode material for emerging ex-Asia markets of the Americas and Europe. Discussions with potential customers and the assessment of strategic relationship options continue, with the critical advantage for Syrah being an integrated and operating high quality and volume upstream operation.

The team at Syrah will continue to work relentlessly to achieve our strategic objectives, including reducing unit costs at Balama, whilst maximising our realised sales price outcomes. We will continue to carefully develop our BAM and Vanadium options, whilst continuing to highlight the ESG differentiation of the Balama and Vidalia assets, which have been developed with this long-term difference in mind. Though the impacts of COVID 19 are uncertain at the time of writing, the Balama Asset and BAM development are strategically positioned to benefit from USA and EU focus on long term critical battery mineral supply, and the Company will continue commercial and government engagement to grow shareholder value through Syrah’s unique position in this rapidly developing global market.

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

Sara Watts
Non-Executive Director (appointed 3 June 2019)

Christina Lampe-Onnerud
Non-Executive Director (ceased 24 March 2019)

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:

> Non-Executive Director of Evolution Mining Limited

> Non-Executive Director of Endeavour Mining Corporation

Directorships of listed entities within the past three years:

> Non-Executive Director of Evolution Mining Limited (since November 2011)

> Chairman of OceanaGold Corporation (March 2007 to June 2019)

> Non-Executive Director of Endeavour Mining Corporation (since July 2017)

> Chairman of Asia Minerals Resources Limited (January 2015 to March 2017)

Special responsibilities:

> Chairman of the Sustainability Committee

> Member of the Remuneration, Nomination and Governance Committee

> Member of the Audit and Risk Committee (ceased 25 July 2019)

Length of service: 5 years and 5 months

Interest in shares, options and performance rights:

SECURITIES	NUMBER
Ordinary shares	377,517
Options over ordinary shares	Nil
Performance rights	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: 3 years and 2 months

Interest in shares, options and performance rights:

SECURITIES	NUMBER
Ordinary shares	260,701
Options over ordinary shares	1,000,000
Performance rights	311,532(1)

(1) The 311,532 Performance Rights noted above for S Verner are current as at the date of the Director's Report. 121,773 Performance Rights lapsed on 21 February 2020 and are not included in this number.

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:

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

Special responsibilities:

> Member of the Remuneration, Nomination and Governance Committee (ceased as Chair 25 July 2019)

> Member of the Audit and Risk Committee (ceased as Committee Chair 25 July 2019)

Length of service: 5 years and 5 months

Interest in shares, options and performance rights:

SECURITIES	NUMBER
Ordinary shares	24,752
Options over ordinary shares	Nil
Performance rights	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: 5 years and 7 months

Interest in shares, options and performance rights:

SECURITIES	NUMBER
Ordinary shares	12,082
Options over ordinary shares	Nil
Performance rights	Nil

Lisa Bahash

Non-Executive Director

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:

> Chair of the Remuneration, Nomination and Governance Committee (appointed as the Committee Chair 25 July 2019)

> Member of the Sustainability Committee

Length of service: 1 year and 9 months

Interest in shares, options and performance rights:

SECURITIES	NUMBER
Ordinary shares	15,583
Options over ordinary shares	400,000
Performance rights	Nil

Sara Watts

Non-Executive Director (appointed 3 June 2019)

Experience and expertise: Ms Watts has been a director and audit and risk chair for 10 years across a range of sectors including technology, logistics, arts and disability. She has over 30 years of financial, operational and international experience and has been involved in multiple technology transformation projects. Her executive experience includes head of Internal Audit for IBM Asia Pacific, Chief Financial Officer of IBM Australia/New Zealand, Vice-Principal (Operations) at the University of Sydney, and interim CEO of City West Housing.

Other current directorships in listed entities: None

Directorships of listed entities within the past three years: None

Special responsibilities:

> Chair of Audit and Risk Committee (appointed to the Committee and as Chair 25 July 2019)

Length of service: 10 months

Interest in shares, options and performance rights:

SECURITIES	NUMBER
Ordinary shares	38,000
Options over ordinary share	Nil
Performance Rights	100,000(1)

(1) Pending approval at the 2020 Annual General Meeting

INFORMATION ON FORMER DIRECTORS

Christina Lampe-Onnerud

Non-Executive Director (ceased 24 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, options and performance rights:

SECURITIES	NUMBER
Ordinary shares	Nil
Options over ordinary shares	Nil
Performance rights	Nil

COMPANY SECRETARY

Melanie Leydin

Company Secretary (appointed 5 September 2019)

Experience and expertise: Ms Leydin is an experienced Company Secretary and Chief Financial Officer having held these positions at a number of small public companies. Ms. Leydin is the Principal of Leydin Freyer Corporate Pty Ltd, a company that specialises in outsourced company secretarial and accounting services to public listed companies in the biotechnology and resources industry. She was previously Company Secretary of Syrah from May 2011 to November 2017.

Jennifer Currie

Chief Legal Officer and Company Secretary (ceased 5 September 2019)

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 Balama in Mozambique;

> Sales of natural 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 BAM and industrial products; and

> Development and execution of a downstream, BAM 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 2019 was $130.5 million (2019: loss after income tax of $29.0 million).

Balama transitioned to operations on 1 January 2018 following the achievement of first production of natural graphite in late 2017 and declared commercial production effective on 1 January 2019. All revenues derived from the sales of natural graphite prior to the declaration of commercial production on 1 January 2019 were offset against costs incurred and capitalised against project development costs, while revenues derived since 1 January 2019 are recognised as revenue in the period in which they are earned, and costs of sales are also recognised separately.

Revenue for the year ended 31 December 2019 comprised sales of natural graphite products of $72.2 million (2018: nil) and interest income of $1.1 million (2018: $1.2 million) from cash reserves placed on term deposits during the year.

Cost of sales reported for the financial period was $105.5 million (2018: nil), mainly comprised of mining and production costs of $79.2 million (2018: nil), logistics costs of $14.8 million (2018: nil), and depreciation and amortisation expense relating to Balama of $11.9 million (2018: nil). Total other expenses for the financial period were $26.8 million (2018: $32.0 million) and included the following:

> Distribution costs of $11.2 million (2018: nil), of which $8.5 million (2018: nil) were shipping costs;

> Administrative expenses of $8.6 million (2018: $30.8 million), of which $5.7 million (2018: $10.2 million) related to employee benefits; and,

> Write-down of inventories due to valuation of inventories at the lower of cost or net realisable value of $6.7 million (2018: nil).

The consolidated entity recorded a pre-tax impairment of the carrying value of assets relating to Balama of $96.9 million (2018: nil), impacting Mining Assets and Property, Plant and Equipment as a result of short term pricing expectations and resulting production volume management, largely due to impacts relating to CNY devaluation and natural graphite market imbalance.

Net finance expense of $0.9 million (2018: net finance income of $1.1 million) related to income from investment in term deposits of $1.1 million (2018: $1.2 million), offset by finance expense relating to the adoption of new accounting standard AASB 16 *Leases* of $1.3 million (2018: nil) and interest expense of $0.6 million (2018: nil) on the Convertible Note.

Total comprehensive loss attributable to shareholders of Syrah Resources Limited for the year was $131.5 million (2018: 30.1 million).

Statement of Financial Position

Total assets of the consolidated entity as at 31 December 2019 were $432.1 million (2018: $473.8 million), with the decrease principally as a result of an impairment of Mining Assets and Property Plant and Equipment in relation to Balama ($96.9 million) offset by the successful completion of a fully underwritten Entitlement Offer ($39.2 million) and issue of the Convertible Note ($39.1 million).

The consolidated entity's Cash and Cash Equivalents as at 31 December 2019 were $80.6 million (2018: $77.1 million) and working capital, being Current Assets less Current Liabilities, was $89.5 million (2018: $71.8 million). The net increase in Cash and Cash Equivalents and working capital is a result of proceeds received from the Entitlement Offer, the issue of the Convertible Note and the reduced capital expenditure as a result of the completion of major development of the BAM Project, offset by cash outflow associated with the ramp-up in production and sales of Balama, and prevailing pricing conditions.

Mining Assets decreased to $120.7 million as at 31 December 2019 (2018: $331.2 million) mainly due to the completion of project development and construction of Balama, which resulted in a transfer to Property, Plant and Equipment and Inventories, and the impairment recognised in relation to Balama.

Property, Plant and Equipment increased to $160.7 million as at 31 December 2019 (2018: $31.4 million), with the majority of the increase relating to the transfer of project development and construction costs of Balama, and the capitalisation of costs associated with progression of downstream BAM strategies, offset by the impairment recognised in relation to Balama.

Non-Current Trade and Other Receivables increased to $19.6 million as at 31 December 2019 (2018: $20.8 million) with the majority relating to outstanding Input Tax Credits in Mozambique of $14.4 million (2018: $16.8 million). During the year ended 31 December 2019 cash refunds totaling $10.7 million were received for Input Tax Credits (2018: $5.6 million). 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 has a deposit of $5.0 million as at 31 December 2019, placed 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 $80.3 million as at 31 December 2019 (2018: $28.6 million), which includes Trade and Other Payables of $11.5 million (2018: $15.9 million); a provision for decommissioning and rehabilitation for Balama of $10.0 million (2018: $6.6 million); Borrowings from issue of Convertible Note including capitalised interest expense and transaction costs of $39.7 million (2018: nil) and Lease Liabilities of $18.6 million (2018: $5.6 million).

Net assets of the consolidated entity decreased during the financial period to $351.9 million as at 31 December 2019 (2018: $445.2 million).

Statement of Cash Flows

Cash Flows from Operating Activities

Net cash outflow from operating activities for the year ended 31 December 2019 was $33.6 million (2018: $10.0 million), and principally consisted of receipts from the sale of natural graphite products, offset by payments relating to expenses from operating Balama, as well as corporate office, compliance and other employee benefits expenses.

Cash Flows from Investing Activities

Net cash outflow from investing activities was $36.6 million for the year (2018: $94.6 million) and principally consisted of payments for progression of the downstream BAM project, partially offset by an Input Tax Credit recoveries from Balama construction period.

Cash Flow from Financing Activities

Net cash inflow from financing activities was $73.6 million during the year ended 31 December 2019 (2018: $70.5 million) and principally consisted of proceeds received from the Entitlement Offer and Convertible Note issuance during the year, net of transaction costs.

SEGMENT REVIEW

BALAMA GRAPHITE OPERATION

Financial Summary

The segment result for Balama for the year ended 31 December 2019 was a net loss before income tax of $148.5 million (2018: net loss before tax of $20.6 million).

This loss principally consisted of Cost of Goods Sold of $105.5 million (2018: nil), Write-down of Inventories due to valuation of inventories at the lower of costs or net realisable value of $6.7 million (2018: nil), and Shipping Costs of $8.5 million (2018: nil).

Total segment assets for Balama were $304.7 million as at 31 December 2019 (2018: $369.5 million) and principally comprised of Mining Assets of $120.7 million (2018: $331.2 million); Property, Plant and Equipment and Right of use Assets of $114.9 million (2018: $1.7 million), Deferred Tax Assets of $27.8 million (2018: $0.5 million), and Trade and Other Receivables of $3.6 million (2018: $11.6 million), The decrease in total segment assets relates to the impairment of Mining Assets and Property Plant and Equipment.

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

Sustainability

Syrah adopts a risk and opportunities based approach to managing material sustainability matters across the business, with all relevant information captured under the Company's Risk Management Framework.

Asset-level sustainability reporting is guided by the Global Reporting Initiative (GRI), the United Nations Sustainable Development Goals, the International Council on Mining & Metals (ICMM) 10 Principles for Sustainable Development and other internationally recognised standards to assess and report sustainability performance in line with industry benchmarks.

Syrah continues to commit to leading practice standards with ISO:45001 Occupational Health and Safety Management Systems and ISO:14001 Environmental Management Systems re-certification achieved through 2019.

Syrah was recognised in 2019 as Sector Leader in ESG Reporting by the Australian Council of Superannuation Investors (ACSI).

Health and Safety

The Company considers Health and Safety to be the highest priority for the Company. Through a year of significant operational change, Syrah continued its strong health and safety performance at Balama with a Total Recordable Injury Frequency Rate ("TRIFR") of 0.6 as at 31 December 2019.

Mandatory screening program to proactively identify low parasitemia individuals not yet presenting with malaria symptoms continued through 2019. The screening program prevented 821 individuals from falling ill with malaria and minimised employee and local community transmission rates.

Environment

In 2019, the Environmental Monitoring Program continued with over 200 environmental license conditions met with no significant incidents or major non-compliance. 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 2019, the Company has placed in favour of the Ministry of Mineral Resources and Energy ("MIREME") in Mozambique a bank guarantee totaling $5.0 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 for the year ending 31 December 2020.

The Company has not wavered in its commitment to be a constructive corporate citizen in Mozambique and to the host communities. The companywide cost restructure initiated during 2019 was executed with preservation of existing ESG best practices and in-line with the Company's core values. Specifically, core environmental programs include:

> the Livelihood Development Program ("LDP"), a collaboration with the Mozambique Institute of Agricultural Research (Montepuex Delegation) to equip local farmers with new and improved agricultural techniques; and,

> the Balama Nursery established to cultivate native tree species for rehabilitation and ecological preservation.

Quantifying and benchmarking the carbon footprint of battery anode material made from Balama natural graphite versus other raw materials (natural and synthetic) is an ongoing strategic priority for the Company. The Balama team continue to assess options to reduce the carbon footprint of the operation, including assessment of lower carbon options for onsite power generation.

Community Development

As at the end of 2019, 96% of Balama's direct employees are Mozambican nationals with 49% from the local host communities and 21% are female.

Training commenced at the Balama Professional Training Centre ("BPTC") in January 2019. Syrah has prepared all training material in conjunction with the National Institute of Professional Training & Labour Studies ("IFPELAC") and will continue to develop the BPTC training curriculum over the coming years in line with community needs. 110 Host Community members were successfully trained at the BPTC in 2019. This is consistent with Syrah's commitment to train a minimum of 500 members of the local community over the five years to the end of 2023 in areas of health and work readiness and basic mechanical and electrical disciplines. BPTC selection criteria requires that women hold a minimum representation of 30% on each training cohort.

Syrah was named AAMEG Africa Awards 2019 Winner - Best Innovation in Corporate Social Development for the design, construction and operation of the Balama Professional Training Centre ("BPTC").

Production

Balama produced 153kt of natural flake graphite in 2019, average fixed carbon grade achieved was 95%.

Table 1: Balama Graphite Operation Production Summary

	2019	2018
Total Material Mined	2,351kt	2,039kt
Plant Feed	1,154kt	1,120kt
Plant Feed Grade (TGC)(1)	19%	17%
Recovery	68%	53%
Graphite Produced	153kt	104kt
Average Fixed Carbon	95%	95%

(1) TGC = Total Graphitic Carbon

Significant progress was made at Balama with the ongoing embedding of operational management systems and processes that improved plant reliability, process control and product quality, and debottlenecked outbound logistics.

Production averaged approximately 45kt per quarter to end Q3 2019. Production was moderated to just 15kt in the fourth quarter in response to the sudden and material decrease in prices observed in October 2019.

Average graphite recovery achieved in 2019 was 68%. Significant improvement in recovery was achieved over the course of the year as a result of the production improvement plan. Recovery was 76% in December with recoveries of greater than 80% achieved during steady state operations, providing comfort that greater than 80% recoveries are achievable on a sustained basis.

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 as at 31 December 2019 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 2: Graphite Mineral Resource estimate at 3% TGC cut-off grade

As at 31 December 2018

CLASSIFICATION	TONNES (Mt)	TGC (%)
Balama West	**640**	**10**
Measured	24.3	17.6
Indicated	256	10.2
Inferred	360	9.3
Balama East	**783**	**11**
Measured	-	-
Indicated	123	13.4
Inferred	660	10.1
Total	**1,423**	**10**
Measured	24.3	17.6
Indicated	379	11.2
Inferred	1,020	9.8

As at 31 December 2019

CLASSIFICATION	TONNES (Mt)	TGC (%)
Balama West	**639**	**10**
Measured	23.5	17.5
Indicated	255	10.2
Inferred	360	9.3
Balama East	**783**	**11**
Measured	-	-
Indicated	123	13.4
Inferred	660	10.1
Total	**1,422**	**10**
Measured	23.5	17.5
Indicated	378	11.2
Inferred	1,020	9.8

Explanation of material changes:

The figures in this table are rounded to reflect the precision of the estimates and include rounding errors. The estimates are derived from block models constructed by MPR for Balama West and Balama East in mid-2017. For Balama West, the model is reported as at the end December 2019 with adjusted for as-mined survey supplied by Twigg. There has been no production from Balama East, and for this zone the estimates are unchanged.

Table 3: Vanadium Mineral Resources Estimate

As at 2013 @ 5% Cut-off [1]

CLASSIFICATION	TONNES (Mt)	V_2O_5 (%)
Balama West	**568**	**0.21**
Measured	-	-
Indicated	-	-
Inferred	568	0.21
Balama East	**579**	**0.26**
Measured	-	-
Indicated	-	-
Inferred	579	0.26
Total	**1,150**	**0.24**
Measured	-	-
Indicated	-	-
Inferred	1,150	0.24

As at 31 December 2019 @ 3% Cut-off

CLASSIFICATION	TONNES (Mt)	V_2O_5 (%)
Balama West	**639**	**0.2**
Measured	23.5	0.34
Indicated	255	0.21
Inferred	360	0.2
Balama East	**783**	**0.2**
Measured	-	-
Indicated	123	0.35
Inferred	660	0.2
Total	**1,422**	**0.2**
Measured	23.5	0.34
Indicated	378	0.26
Inferred	1,020	0.2

(1) Vanadium Resources last featured in Syrah annual report in the 2015 Annual Report. A detailed statement of the Vanadium Mineral Resources featured in the 2015 Annual Report can be found in ASX announcements dated 23 January 2013 and 27 May 2013.

Explanation of material changes:

The Vanadium Mineral Resource Estimate has been restated to align to the information compiled by the Competent Person related to Mineral Resource estimates as at 31 December 2019. The change compared to the Vanadium Mineral Resource in the 2015 Annual Report reflect subsequent updates to the Resource model and a reduction of the reported cut-off grade to align to the cut-off grade applied to the graphite Mineral Resource estimate as of 31 December 2019.

Reserve Competent Person's Statement

The Competent Person for the Ore Reserve estimate as at 31 December 2019 is Mr Jon Hudson. Mr Hudson was the Competent Person for the December 2018 Ore Reserve update. Mr Hudson completed a site visit in January 2019. 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 (a recognised overseas professional organisation, or ROPO). Mr Hudson is independent of Syrah. Mr Hudson has sufficient experience relevant to the style of mineralisation 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.

The Competent Person for the metallurgical and processing Modifying Factors supporting the Ore Reserve estimate is Mr Christopher Hull. Mr Hull is an employee of Syrah and Member of the Australian Institute of Mining and Metallurgy. Mr Hull has sufficient experience relevant to the style of mineralisation 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.

Table 4: Ore Reserve estimate

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

CLASSIFICATION	TONNES (Mt)	TGC (%)	GRAPHITE (MT)
Balama West[(1)]	**22.76**	**17.41**	**4.0**
Proved	5.15	17.20	0.9
Probable	17.61	17.48	3.1
Mualia	**33.89**	**18.74**	**6.4**
Proved	-	-	-
Probable	33.89	18.74	6.4
Balama East	**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	**113.29**	**16.36**	**18.5**
Proved	5.39	17.20	0.9
Probable	107.9	16.32	17.6

As at 31 December 2019 (7.2% TGC cut-off grade)

CLASSIFICATION	TONNES (Mt)	TGC (%)	GRAPHITE (MT)
Balama West[(1)]	**59.79**	**16.86**	**10.08**
Proved	-	-	-
Probable	59.79	16.86	10.08
Balama East	**46.98**	**14.38**	**6.76**
Proved	-	-	-
Probable	46.98	14.38	6.76
Stockpiles	**0.77**	**10.84**	**0.08**
Proved	-	-	-
Probable	0.77	10.84	0.08
Total	**107.54**	**15.73**	**16.92**
Proved	-	-	-
Probable	107.54	15.73	16.92

(1) Balama West is exclusive of Mualia, with Mualia reported seperatly in 2018. Mualia is reported within in Balama West Reserve for 2019.

The overall reduction in Ore Reserve of 5% tonnes, 4% grade and 9% contained TGC is attributed to:

> Depletions during 2019 of 1.39 Mt ore;

> The December 2018 Ore Reserve was completed on a Mineral Resource estimate (MRE) compiled by The MSA Group (MSA). The previous MSA Mineral Resource estimates were disclosed to the ASX on 15 November 2016 (Mualia) and 29 May 2015 (Ativa and Mepiche). The December 2019 Ore Reserve estimate was based on the updated Mineral Resource estimate compiled by MPR Geological Consultants Pty Ltd Updated Mineral Resource model that adjusts tonnes, grade and classification.

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 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.

Sales and Marketing

Table 5: Natural Graphite Sales Summary 2019

	2019	2018
Graphite Sold and Shipped	163kt	73kt
Inventory at Nacala at end of period	7kt	20kt
Inventory at Balama/USA at end of period	8kt	11kt
Total Production	153kt	104kt

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 positive. Increased understanding of customer specifications and value have led to opportunities to differentiate Syrah products and pricing through management of carbon grade, impurities, and particle size distribution.

Syrah continued to establish itself as the first major exporter of natural graphite into China, with China transitioning from a net exporter to a net importer of natural graphite during 2019, primarily driven by the import of Syrah material. This change fundamentally alters natural graphite trade flows globally and is expected to continue to develop as the Lithium-ion battery market expands.

For the full year 2019, Syrah sold and shipped 163kt of natural graphite. Sales were moderated in line with production during the fourth quarter in response to the sudden and material decrease in prices observed in the third quarter.

Higher sales than production through 2019 and reprocessing of some off-specification material from earlier production resulted in finished product inventories 14kt Balama and Nacala, a significant reduction compared to 31kt a year prior, which positions Balama for prevailing demand to drive production volume through 2020.

Syrah announced a sales agreement with Gredmann (HK) Limited, ("Gredmann") for sales into China during 2019. The agreement is for supply of 9kt per month of fines natural graphite across a range of fixed carbon grades. Gredmann became Syrah's preferred trader of standard fines products in China for the term of the Agreement, with direct sales by Syrah continuing in China to certain end users. Sales to a broader range of end-users outside China also continued to develop throughout the year, including Asia, Europe, and North America.

Logistics

The supply chain was optimised through 2019, allowing sales volumes able to exceed production volumes through 2019.

Logistics operations from mine to port were adjusted during the cost restructure process in the fourth quarter, with the truck fleet and utilisations reduced for lower than previous planned 2020 production volumes.

Graphite Pricing

In 2019, Syrah achieved a weighted average price of US$443 per tonne (CIF).

Syrah's entry into the international natural graphite market has seen a significant impact on the global supply and demand balance and change to the traditionally seasonal availability of product both within China and from China into the export market. This combined with market imbalances due to lower than expected end user demand growth from EV sales and energy storage market development put downward pressure on prices through 2019. A sudden and material decline in prices in the third quarter prompted Syrah to moderate production at Balama and undertake a companywide restructure.

The current fines price achieved by Syrah continues to be influenced primarily 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, inland logistic costs and exchange rates.

Market pricing dynamics are evolving rapidly – and Syrah expects prices for natural graphite into the battery market to become globally integrated in line with the majority of internationally traded commodities. Value-in-use pricing differentials for relative product quality are expected to continue to broaden as the market develops.

The transition to global pricing is expected to provide increased price transparency, which assists to induce global supply in an orderly manner over the medium to long term. And as demand growth continues, the importance of product grade, quality, and consistent supply availability are expected be evident in prices paid.

CORPORATE

Financial Summary

The segment result for Corporate for the year ended 31 December 2019 was a net loss before income tax of $9.3 million (2018: net loss before tax of $10.1 million).

Total segment expenses for the year were $9.6 million (2018: $11.5 million) comprising employee benefits, legal and consulting costs and general corporate administration costs. These costs include 'non-cash' costs of $1.3 million (2018: $4.3 million), relating to share-based payments and depreciation and amortisation of corporate assets.

Total segment assets were $82.0 million as at 31 December 2019 (2018: $74.0 million), with the increase mainly driven by the increase of Cash and Cash Equivalents balance following proceeds received from the Entitlement Offer and issue of the Convertible Note during the year.

Corporate segment assets as at 31 December 2019 include $80.6 million of cash and cash equivalents (2018: $73.4 million) which will be used to fund:

> Ongoing working capital for Balama;

> Additional capital expenditure relating to Balama;

> Capital expenditure relating to the BAM Project; and,

> General corporate and administrative activities.

BAM PROJECT

The segment result for the BAM Project for the year ended 31 December 2019 was a loss before income tax of $0.1 million (2018: net loss before tax of $0.2 million).

Revenue for the year ended 31 December 2019 comprised of interest income of $0.1 million (2018: $0.2 million) from cash reserves placed on deposit with financial institutions during the year.

Total segment assets for BAM were $45.4 million as at 31 December 2019 (2018: $30.3 million) and principally comprised of capitalised construction costs for BAM.

Following are the key activities and achievements of the BAM Project during the financial year.

> First dispatch of unpurified spherical graphite samples for qualification by potential customers commenced during the first quarter of 2019;

> Construction of the purification plant was completed in the fourth quarter, with first production of purified spherical graphite with purity >99.95% achieved using Balama feed;

> Supply chain engagement, operational learnings from the existing plant in Vidalia and ongoing research and development work will inform ongoing studies for scale up of the existing plant to commercial production volumes; product development with Cadenza Innovation Inc. (“Cadenza”) was ongoing through 2019, with focus on development of carbon coated product for production at Vidalia in 2020 and graphitisation processes for development of anode material.

BALAMA VANADIUM PROJECT

In addition to Balama’s substantial graphite Ore Reserves, the deposit also hosts a significant Vanadium Inferred Resource of 1.4Bt at 0.2% V_2O_5

A review of the 2014 Vanadium Scoping Study was completed in 2018 and confirmed that the project warrants progression to formal Pre-Feasibility Study ("PFS") stage.

Sampling and analysis of Vanadium content within the graphite processing circuit was completed in 2019, which confirmed prior understanding of Vanadium concentrations in key process streams in the Balama graphite circuit and will be used to inform metallurgical test work as the project progresses.

FUTURE OUTLOOK

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

Balama Graphite Operation

Adaption of Balama to prevailing market conditions, targeting:

> Natural flake graphite production for 2020 driven by market demand;

> Recovery sustained above 75% in 2020, beyond 80% thereafter;

> Average product fixed carbon ("FC") grade 95% with targeted range of 95% - 97% FC;

> Cash operating costs (FOB Port of Nacala) trending downwards towards $450 per tonne during 2020 at an annualised production rate of 180,000 tonnes per annum (15kt per month).

Sales and Logistics

Low finished product inventory levels and moderated production at Balama late in 2019 positions the asset to match 2020 production to prevailing demand.

Balama product differentiators will continue to be strategically important through 2020. In particular:

> Product quality (fixed carbon grade and impurities);

> Capability as a base load supplier of natural graphite into the battery raw material supply chain; and,

> Syrah’s best practice ESG credentials.

BAM Project

The plant at Vidalia will be utilised through 2020 for:

> Qualification of material in the battery supply chain;

> Supply chain engagement to inform ongoing feasibility work for development of a larger scale facility capable of commercial production rates; and,

> Development of options for strategic and financial partnerships.

Vanadium Project

The Vanadium resource at Balama remains an attractive future growth option for the company.

Investment to progress the evaluation of the project will be made upon stabilisation of Balama cash flows.

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.

It should be noted that the Group continues to assess business risks associated with the more recent impacts of COVID 19.

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 (including, without limitation, global events such as the COVID 19 outbreak). Syrah's operational and financial performance, as well as the ongoing economic viability of Balama, 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 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 BAM 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. Such sentiment or conditions are further affected by global trends and/or events such as the COVID 19 outbreak.

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 Balama, 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 IT failures or disruptions and risks associated with increased global uncertainty and/or global events such as the COVID 19 outbreak (including the national or regional governmental response to such events). The production ramp-up process may uncover failures or deficiencies in processes, systems, plant and equipment required for Balama, 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 operations 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 Balama, 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 Balama, 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. Global events and/or trends such as the COVID 19 outbreak may also affect the ability of Syrah's customers to carry out their obligations under such agreements and/or influence renewal or subsequent contracting decisions.

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 Balama and the BAM 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, and global events impacting contract performance and liability (such as the COVID 19 outbreak) all of which may give rise to delays and/or increased costs. Furthermore, 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 Balama (due to expire in 1 January 2025), having successfully renewed this licence for a further five-year period in January 2020. Renewal of the licence is conditional on the update and resubmission of the environmental management plan and monitoring program. 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 Balama. 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 Balama.

For the current BAM 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 BAM 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 BAM 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 Balama 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 or unexpected global health risks and/or events (such as the COVID 19 outbreak) 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, 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 the majority of such acts have been at least 300km from Balama and have not directly impacted Balama or transport routes, however there is no guarantee that such acts will not spread closer to Balama. 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 or unexpected global trends (such as the COVID 19 outbreak).

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 Balama 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 Balama 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 Balama 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 Balama, Syrah's BAM 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 BAM 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 or availability of labour, consumables, spare parts, plant and equipment, IT failures or disruptions and other global trends or events (such as the COVID 19 outbreak), including the national or regional governmental response to such events. The commissioning process may uncover failures or deficiencies in processes, systems, plant and equipment required for the BAM 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 BAM 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 BAM 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 BAM, then Syrah's BAM 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 Balama 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 Balama, general administrative expenditures and BAM Project activities, as well as acquisitions and new or existing projects. This includes Syrah's BAM Project, and any further optimisation projects (including Vanadium) at Balama for which Syrah may require additional funding in the future to execute on that strategy.

While Syrah believes there are 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 Balama, potential Vanadium development, the BAM plant and/or the development of Syrah's BAM 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 BAM strategy).

Under the terms of the Convertible Note issued to AustralianSuper on 28 October 2019 on the terms summarised in ASX Release dated 19 June 2019, there is a possibility that the Note may need to be redeemed (wholly or in part) either at maturity or earlier in accordance with the terms of the Convertible Note. Specifically, Syrah may be required to redeem the Note for cash, if: (i) AustralianSuper has not elected to convert the Convertible Note prior to maturity (5 years from issue); (ii) a third party takeover offer or scheme of arrangement in respect of all of the shares of Syrah becomes unconditional, and AustralianSuper does not elect to convert the Convertible Note into fully paid ordinary shares of Syrah; or (iii) AustralianSuper elects to redeem rather than convert the Convertible Note in connection with an event of default (which includes customary events such as in relation to failure to repay amounts due, insolvency events, committing an event of default under any of its debt financing arrangements over an agreed cap, liabilities over an agreed cap, fundamental and material changes to business undertaking, ceasing to be listed on the ASX or any breach of warranty or representation).

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 BAM 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 Balama), variability in production profiles and strategies in response to market conditions, the shortage of local, readily available skilled labour and global events/trends (such as the COVID 19 outbreak), including the national or regional governmental response to such events, which may impact a number of factors including but not limited to personnel availability, mobility and health and safety. 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 Balama 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. In addition, to date Syrah has raised capital in Australian dollars, while development costs are largely in US dollars or other currencies. Syrah may also hold funds on deposit in a number of currencies. Changes in exchange rates may impact the extent to which Australian dollar denominated capital is able to fund development in other currencies.

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 BAM 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 BAM 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, customs or importation laws (including double taxation treaties, royalties and similar levies, 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 Balama 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, other significant global matters (such as the COVID 19 outbreak) 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

For the year ending 31 December 2019, 75.9% of revenues were generated by sales of natural graphite products to customers in China. In addition, the company sources a range of supplies and equipment from companies in China. Through the first three months of 2020, COVID 19 impacted a range of sectors of the Chinese economy, including our direct customers and suppliers, the electric vehicle supply chain including battery manufacturing, consumer demand for electric vehicles, people movement, and logistics. At this point in time, there appears to be some improvement in China in terms of managing the virus directly, and the economic impacts, while the situation in many parts of the rest of the world is becoming increasingly challenging from a health and economic perspective with impacts to a number of the areas outlined above. All of the countries in which we operate have implemented restrictions on business activities and people movement, including Mozambique where measures have been implemented which restrict people movement both internationally and domestically. The combination of these measures limit the mobility of the Balama workforce and the Company therefore temporarily suspended production at Balama from 28 March 2020 (refer ASX announcement dated 27 March 2020). While sales orders from existing finished product inventory will continue to be dispatched from Nacala through the Port of Nacala, a further impact of COVID 19 is that transportation of goods may be interrupted due to lower end-use demand or supply of land or ocean transport, and it is possible that this may change. We continue to assess the impact of the COVID 19 virus on our business, noting that the Company had already planned for lower production during much of this period in order to restore balance between supply and demand and had taken steps to reduce its cost base accordingly. The level of liquidity and the recently implemented companywide cost restructure positions the Company well to manage an extended period of uncertainty. We also note that to counter the impacts of COVID 19, governments of various countries are announcing a broad variety of economic stimulus measures, and that ex-China users of natural graphite have experienced issues in obtaining natural graphite from their China based suppliers, which presents an opportunity for Syrah. This event also highlights the risks of supply chain concentration in the natural graphite supply chain, while Syrah represents the most significant opportunity for downstream users to diversify in this area.

No other events have occurred subsequent to 31 December 2019 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.

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 2019, 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	15	15	4	4	4	4	4	4
S Verner	15	15	-	-	-	-	-	-
S Riggall[(1)]	11	15	6	6	-	-	4	4
J Caldeira	15	15	6	6	4	4	-	-
C Lampe Onnerud[(2)]	3	3	-	-	-	-	1	2
L Bahash[(3)]	13	15	-	-	4	4	4	4
S Watts[(4)]	10	10	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 2019.

(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 2019.

(1) The usual program of Board meetings for the year ended 31 December 2019 was increased by 8 additional meetings, convened on an as needed basis, including in relation to the operational review and restructure during the year. S Riggall attended all meetings convened according to the usual program and 4 of the additional, ad hoc meetings.

(2) C Lampe-Onnerud ceased as a Non-Executive Director on 24 March 2019.

(3) The usual program of Board meetings for the year ended 31 December 2019 was increased by 8 additional meetings, convened on an as needed basis, including in relation to the operational review and restructure during the year. L Bahash attended all meetings convened according to the usual program and 6 of the additional, ad hoc meetings.

(4) S Watts was appointed as Non-Executive Director on 3 June 2019.

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 2019. The remuneration report is structured as follows:

(A) REMUNERATION GOVERNANCE

REMUNERATION, NOMINATION AND GOVERNANCE COMMITTEE

The Board has established a Remuneration, Nomination and Governance Committee consisting solely of independent, Non-Executive 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 2019 the Remuneration, Nomination and Governance Committee comprised of Lisa Bahash (Committee Chair), James Askew and Sam Riggall.

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 2019 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
Lisa Bahash	Non-Executive Director
Christina Lampe-Onnerud	Non-Executive Director (ceased 24 March 2019)
Sara Watts	Non-Executive Director (appointed 3 June 2019)

KEY MANAGEMENT PERSONNEL

The following persons were the Key Management Personnel of Syrah during the year ended 31 December 2019 and up to the date of this report, unless otherwise stated:

KEY MANAGEMENT PERSONNEL	
NAME	**POSITION**
Shaun Verner	Managing Director and Chief Executive Officer
Stephen Wells	Chief Financial Officer (commenced 2 September 2019)
Julio Costa	Chief Operating Officer
Jennifer Currie	Chief Legal Officer and Company Secretary (ceased as Company Secretary 5 September 2019; ceased as Chief Legal Officer 28 January 2020[(1)])
Jordan Morrissey	Chief People Officer (role restructured to that of a Transition Officer effective 18 October 2019 and ceased employment with Syrah on 31 March 2020)
David Corr	Chief Financial Officer (ceased 31 October 2019)
Robert Schaefer	Chief Commercial Officer (ceased 31 December 2019)

(1) J Currie was on maternity leave from 6 November 2019.

(C) KEY REMUNERATION OUTCOMES AND UPDATES

(i) What has changed in relation to remuneration during the year ended 31 December 2019

Non-Executive Director Remuneration	> Non-Executive Directors received no fee increases during the year ended 31 December 2019
Executive Remuneration	> A new Chief Financial Officer, Stephen Wells, commenced on 2 September 2019 > None of Syrah's Key Management Personnel received a remuneration increase during the year ended 31 December 2019 > 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 2019
STI Outcomes	> The average STI outcome for the Managing Director and Chief Executive Officer and Key Management Personnel was 89.58% of Target opportunity for the year ended 31 December 2019 based on the assessment of corporate and personal performance metrics, and including the outcomes from the corporate reorganisation and cost improvement programme in the second half of 2019
LTI Outcomes	> For the Performance Rights awarded during the 2017 financial year and tested as at 31 December 2019, none vested. This reflects the Total Shareholder Return ("TSR") performance of the Company during the three years to 31 December 2019 relative to the average TSR performance of the comparator group

(ii) What changes are planned or approved for remuneration for the year commencing 1 January 2020

LTI Performance Hurdles	The Board of Directors has resolved to adopt the same performance hurdles for the 2020 LTI Program as were used in 2019, 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 2020, 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 2020, 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.
Non-Executive Director Remuneration	The Board of Directors has resolved to implement a new Non-Executive Director Share Rights Plan ("NEDSP"), subject to receiving shareholder approval at the Company's next Annual General Meeting. The NEDSP will enable Non-Executive Directors to receive a portion of their remuneration as Performance Rights and is intended to operate as follows: (a) The NEDSP will commence on 1 February 2020, subject to the receipt of shareholder approval at the Company's next Annual General Meeting; (b) Non-Executive Directors will elect the proportion they would like paid in cash and paid in share rights on an annual basis; (c) The cash and share rights components will be settled at the end of each quarter (March, June, September and December); (d) The amount to be settled in share rights on a quarterly basis will be determined using a 30-day VWAP at the end of the quarter; and, (e) The date of grant for the share rights will be the last day of each quarter for the relevant financial year

Five Year Performance and Retention Incentive	> The Board of Directors has implemented a Five Year Performance and Retention Incentive ("5YPRI") by way of a proposed one off issue of Performance Rights for selected senior personnel, designed to take into account the recent operational review and restructure in late 2019, including the recent restructure of the senior executive team. The program is also designed to align with the maturity date of the Convertible Note and to ensure that selected personnel are remunerated in a manner which encourages high performance and is aligned with driving growth in Shareholder value. > A summary of the Five Year Performance and Retention Incentive is outlined below: (a) The new 5YPRI will be performance based, incentivising performance each year for selected senior personnel; (b) The Performance Rights will have a term of 5 years; (c) At the performance assessment date (occurring annually), the Board will determine the amount of Performance Rights to vest based on agreed Key Performance Indicators ("KPIs") set at the beginning of each financial year, with the applicant being issued with a vesting notice confirming any vested Rights following the assessment process. The performance assessment will generally take place around February of each year, in respect of the KPIs for the year just passed; (d) The Performance Rights can be exercised from the vesting date for a two-year period; (e) Each participant must be employed for the full calendar year applicable to the assessment of the award (the Performance Rights do not partially vest for the year in the event of termination of employment unless otherwise determined by the Board). > The general KPIs will be structured as follows: (a) For the first 2 years, the KPIs will be based on operating performance – cash position, sales, production, and BAM project milestones; (b) For the following 3 years, the KPIs will be based on overall relative corporate performance to be defined and approved by the Board on an annual basis, concurrent with Board approval of the annual budget. > The proposed issue of the 5YPRI for S Verner will be subject to shareholder approval at the upcoming Annual General Meeting. It is proposed that S Verner be issued 4,000,000 performance rights under the 5YPRI program and is in addition to the 865,892 Performance Rights issued under the LTI in respect of the period commencing 1 January 2020, which is also subject to shareholder approval. The other proposed participants of the 5YPRI include the COO, J Costa who will receive 3,250,000 performance rights, the CFO, S Wells who will receive 2,500,000 performance rights and two General Managers each receiving 1,125,000 performance rights. The maximum potential award per annum will be calculated by dividing the total Performance Rights issued upfront as described above, by the 5-year term such that one fifth of the total amount granted will vest in each 12 month period, subject to the attainment of the KPIs.

(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 2019, however changes are planned for the year ending 31 December 2020 (refer to Section C for details of the proposed NEDSP, which will be subject to shareholder approval at the 2020 Annual General Meeting).

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. No remuneration consultants were engaged for the year ended 31 December 2019. 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").

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 2019 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

		2019		2018	
ANNUAL FEES		**A$**	**US$(1)**	**A$**	**US$**
Board Fees	Chairperson	160,000	111,198	160,000	119,648
	Members	95,000	66,024	95,000	71,041
Sub-Committees					
Audit and Risk Committee	Chairperson	20,000	13,900	20,000	14,956
	Members	10,000	6,950	10,000	7,478
Sustainability Committee	Chairperson	15,000	10,425	15,000	11,217
	Members	10,000	6,950	10,000	7,478
Remuneration, Nomination and Governance Committee	Chairperson	15,000	10,425	15,000	11,217
	Members	10,000	6,950	10,000	7,478

(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 2019 of 0.6950 (2018: 0.7478).

In addition to the above fees, Non-Executive Directors are entitled receive a travel stipend of $3,475 (A$5,000) for each international trip where the travel time is in excess of seven hours of international travel (2018: $3,739 (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. The STI payments made in 2019 were between 0% and 50% paid in the Company's fully paid ordinary shares ("Shares") (2018: 100% in shares), otherwise, this policy remains identical to the remuneration structure for the year ending 31 December 2018. These components for the year ended 31 December 2019 are summarised below:

Table 2: Remuneration Components

ELEMENT	DELIVERY	PURPOSE	PERFORMANCE METRICS	POTENTIAL VALUE (1)
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	Cash and/or 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

(1) The Board of Directors reserves the discretion to reward exceptional achievement for stretch performance on any particular performance measure.

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-19	DEC-18	DEC-19	DEC-18	DEC-19	DEC-18
Executive Directors						
S Verner	40%	40%	30%	30%	30%	30%
Key Management Personnel						
D Corr(1)	50%	50%	25%	25%	25%	25%
S Wells(2)	50%	-	25%	-	25%	-
J Costa	50%	50%	25%	25%	25%	25%
J Currie(3)	50%	50%	25%	25%	25%	25%
J Morrissey(4)	50%	50%	25%	25%	25%	25%
R Schaefer(5)	50%	50%	25%	25%	25%	25%

(1) D Corr ceased employment with the Company as Chief Financial Officer on 31 October 2019.

(2) S Wells commenced employment with the Company as Chief Financial Officer on 2 September 2019 and his eligibility to participate in the STI plan was determined at 40% for the year ended 31 December 2019.

(3) J Currie ceased employment with the Company as Chief Legal Officer on 28 January 2020.

(4) J Morrissey ceased employment with the Company on 31 March 2020. From 18 October 2019, J Morrissey transitioned to the role of Transition Officer. Accordingly, his STI eligibility was determined to be 110% for the year ended 31 December 2019 to reflect the additional responsibilities and accountabilities of that role. All other elements of his remuneration remained unchanged.

(5) R Schaefer ceased employment with the Company on 31 December 2019.

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 current Key Management Personnel is currently positioned between the 50th and 75th percentile of a comparative group of companies (based on remuneration benchmarking in February 2020).

Total Fixed Remuneration for Key Management Personnel for financial year ended 31 December 2019 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 2019

Table 4: STI Program (31 December 2019)

<table>
<tr><th>FEATURE</th><th>DESCRIPTION</th></tr>
<tr><td>Target Opportunity</td><td>Managing Director – 75% of Total Fixed Remuneration ("TFR") for target performance.
Other Executives – 50% of Total Fixed Remuneration 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>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>
The Board assessed an overall attainment of 25% out of 50% for the corporate performance metrics for the year ended 31 December 2019. This was based on recognition of the Company’s underperformance relative to plan on Balama production and cost, BAM progress, sales volumes and weighted average price, whilst also recognising the substantial progress made as well as challenges overcome in these areas. Additionally the determination reflected continued development and high performance in safety management, with a TRIFR of 0.6; the early completion of the Environmental Licence Application submission (licence renewal has since been granted), no significant regulatory non-compliances; first production of BAM purified spherical graphite from Vidalia; the significant work in reducing costs across the business in response to the sudden change in market conditions; and, the successful completion of funding activities (Entitlement Offer and Convertible Note issue).</td></tr>
<tr><td>Determination of Outcomes</td><td>The STI outcomes were determined by the Remuneration, Nomination and Governance Committee, with oversight from the Board of Directors.</td></tr>
<tr><td>Delivery of STI</td><td>Between 0% and 50% of the STI for the year ending 31 December 2019 was paid in shares, issued under the Company’s Equity Incentive Plan.</td></tr>
</table>

The following table shows details of the STI opportunity, as a percentage of TFR, for each of the Key Management Personnel and the amounts granted for the year ended 31 December 2019.

Table 5: STI Opportunity (31 December 2019)

	TARGET OPPORTUNITY		AMOUNT GRANTED	AMOUNT FORFEITED
NAME	% OFFER	AMOUNT$(1)	%	%
Executive Director				
S Verner	75%	$256,846	67%	33%
Key Management Personnel				
D Corr(2)	50%	$123,363	N/A	N/A
S Wells(3)	50%	$142,692	75%	25%
J Costa	50%	$152,205	85%	15%
J Currie(4)	50%	$114,154	100%	-
J Morrissey(5)	50%	$114,154	110%	-
R Schaefer(6)	50%	$114,154	100%	-

(1) Amounts translated from Australian Dollars to US Dollars using an average exchange rate for the year ended 31 December 2019 of 0.6950.

(2) D Corr ceased employment with the Company as Chief Financial Officer on 31 October 2019.

(3) S Wells commenced employment with the Company as Chief Financial Officer on 2 September 2019 and his pro-rata eligibility to participate in the STI plan was determined at 40% for the year ended 31 December 2019.

(4) J Currie ceased employment with the Company as Chief Legal Officer on 28 January 2020, with STI outcomes reflecting company and individual performance and the corporate reorganisation and cost improvement programme in the second half of 2019.

(5) J Morrissey ceased employment with the Company on 31 March 2020. From 18 October 2019, J Morrissey transitioned to the role of Chief Transition Officer as a result of the corporate reorganisation and cost improvement programme in the second half of 2019. Accordingly, his STI eligibility was determined to be 110% for the year ended 31 December 2019 to reflect the additional responsibilities and accountabilities of that role. All other elements of his remuneration remained unchanged.

(6) R Schaefer ceased employment with the Company on 31 December 2019, with STI outcomes reflecting company and individual performance and the corporate reorganisation and cost improvement programme in the second half of 2019.

(ii) Short Term Incentive Program – 31 December 2020

Table 6: STI Program (31 December 2020)

FEATURE	DESCRIPTION		
Target Opportunity	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.		
Group Performance Metrics & Award Outcome	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 2020:		
	METRIC	**WEIGHTING**	**REASON FOR SELECTION**
	Corporate performance measures:		Corporate measures are aligned with the strategic priorities for the Group
	Sustainability (HSSEC)/Compliance & Governance	10%	Promoting a strong culture of safe practices, social licence to operate, and good corporate governance and compliance in all activities
	Balama Production & Cost	10%	Delivery against production and operating cost targets
	BAM Progress	10%	Progression of BAM growth strategies and finalise BAM investment decision
	Sales Volume & Price	10%	Delivery against volume and weighted average basket price targets
	Capital Management	10%	Balance sheet strength for operations and growth
	Total corporate performance measures	**50%**	
	Personal performance metrics	50%	Targeted metrics relevant to individual roles
	Total	**100%**	
Determination of Outcomes	The STI outcomes will be determined by the Remuneration, Nomination and Governance Committee, with oversight from the Board of Directors.		
Delivery of STI	The delivery of the STI for the year ending 31 December 2020 will be determined by the Remuneration, Nomination and Governance Committee, with oversight from the Board of Directors.		

Five Year Performance and Retention Incentive

In addition to the LTI Program described below, the Board of Directors has implemented a new Five Year Performance and Retention Incentive for selected senior personnel (see Section C above for details).

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 preceding the commencement and the end of the performance period.

Performance Hurdles

The performance hurdles for 2019 and 2020 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 2020, 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 the 2018, 2019 and 2020 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.

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 COMPARATOR 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 (2017 to 2019 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 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 was 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 2017 Grant

None of the performance rights granted for the 2017 financial year and tested as at 31 December 2019 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 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.

iii. 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	

iv. Year ended 31 December 2020 Grant

The TSR comparator group as selected by the Board of Directors for performance rights for the year ending 31 December 2020 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	IMDEX Limited	Pact Group Holdings Limited
Alacer Gold Corp	Ioneer Limited	Pilbara Minerals Limited
Alumina Limited	Incitec Pivot Limited	Perenti Global Limited
Amcor Plc Cdi	James Hardie Indust	Perseus Mining Limited
Aurelia Metals Limited	Jupiter Mines Limited	Rio Tinto Limited
Bellevue Gold Limited	Lynas Corporation Limited	Ramelius Resources
BHP Group Limited	Macmahon Holdings Limited	Regis Resources Limited
Bluescope Steel Limited	Mount Gibson Iron Limited	Resolute Mining Limited
Boral Limited	Mineral Resources Limited	South32 Limited
Brickworks Limited	MACA Limited	Saracen Mineral Holdings Limited
Champion Iron Limited	Newcrest Mining Limited	Sty Barbara Limited
CSR Limited	New Century Resources Limited	Sandfire Resources NL
Dacian Gold Limited	Nickel Mines Limited	Sims Limited
Evolution Mining Limited	Northern Star Resources Limited	Silver Lake Resources Limited
Fletcher Building Foreign Exempt NZX	Nufarm Limited	Syrah Resources Limited
Fortescue Metals Group Limited	Oceanagold Corp	West African Resources Limited
Gold Road Resources Limited	Orora Limited	Westgold Resources Limited
Galaxy Resources	Orocobre Limited	Western Areas Limited
IGO Limited	Orica Limited	
Iluka Resources	OZ Minerals 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

	2019 NUMBER	2018 NUMBER
Movement for the year ended 31 December 2019:		
Balance at the beginning of the year	69,205	-
Granted during the year	1,862,733	69,205
Lapsed during the year	(297,296)	-
Forfeited during the year	(96,692)	-
Exercised during the year	(24,480)	-
Balance at the end of the year	1,513,470	69,205
At 31 December 2019:		
Vested	12,240	-
Unvested	1,501,230	69,205(1)
Total	**1,513,470**	**69,205**

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

The Board of Directors has resolved to grant 865,892 EIP performance rights to S Verner, subject to shareholder approval, and 994,172 performance rights to other Key Management Personnel for the year ending 31 December 2019. The performance rights granted to S Verner remain subject to shareholder approval. The Board of Directors also resolved to grant 2,032,788 performance rights to other executives and senior managers for the year ended 31 December 2019 in accordance with the relevant employment contracts. These performance rights were issued on 12 March 2020 and are not included in the above table. See also Section C for details of the 5YPRI.

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

Table 8: LTIP Performance Rights

	2019 NUMBER	2018 NUMBER
Movement for the year ended 31 December 2019:		
Balance at the beginning of the year	1,020,826	710,783
Granted during the year	-	563,511
Lapsed during the year	(332,624)	(175,213)
Forfeited during the year	(56,035)	-
Exercised during the year	(118,663)	(78,255)
Balance at the end of the year	513,504(1)	1,020,826
At 31 December 2019:		
Vested	-	-
Unvested	513,504	1,020,826
Total	**513,504**	**1,020,826**

(1) 285,256 of these rights lapsed in 2020 as the performance criteria were not met.

Share Options

Former Share Option Plan ("SOP")

As at 31 December 2019, there were no options outstanding (31 December 2018: 900,000) under this plan. The table below summarises the number and movements in Options under this plan during the year:

Table 9: SOP Options

	2019 NUMBER	2018 NUMBER
Movement for the year ended 31 December 2019:		
Balance at the beginning of the year	900,000	2,450,000
Exercised during the year	-	-
Expired during the year	(900,000)	(1,550,000)
Balance at the end of the year	-	900,000
At 31 December 2019:		
Vested	-	900,000
Unvested	-	-
TOTAL	**-**	**900,000**

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 2019, there were 1,000,000 options outstanding (31 December 2018: 3,300,000) under the LTIP. The table below summarises the number and movements in options under this plan during the year:

Table 10: LTIP Options

	2019 NUMBER	2018 NUMBER
Movement for the year ended 31 December 2019:		
Balance at the beginning of the year	3,300,000	4,300,000
Granted during the year	-	-
Forfeited during the year	(1,500,000)	-
Expired during the year	(800,000)	(1,000,000)
Balance at the end of the year	1,000,000	3,300,000
At 31 December 2019:		
Vested	1,000,000	3,300,000
Unvested	-	-
TOTAL	**1,000,000**	**3,300,000**

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 2019, there were 1,600,000 options outstanding under this plan (31 December 2018: 600,000).

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

Table 11: Equity Incentive Plan Options

	2019 NUMBER	2018 NUMBER
Movement for the year ended 31 December 2019:		
Balance at the beginning of the year	600,000	-
Granted during the year	1,000,000	600,000
Forfeited during the year	-	-
Expired during the year	-	-
Balance at the end of the year	1,600,000	600,000
At 31 December 2019:		
Vested	1,000,000	-
Unvested	600,000	600,000
TOTAL	**1,600,000**	**600,000**

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 2019

	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)]	139,442	-	-	-	-	-	-	-	139,442
S Riggall	84,707	-	8,047	-	-	-	-	-	92,754
J Caldeira	86,873	-	-	-	-	-	-	-	86,873
L Bahash	91,862	-	-	-	-	-	-	52,819	144,681
S Watts[(6)]	47,988	-	4,559	-	-	-	-	-	52,547
C Lampe-Onnerud[(7)]	21,718	-	-	-	-	-	-	-	21,718
Sub-total Non-Executive Directors	**472,590**	**-**	**12,606**	**-**	**-**	**-**	**-**	**52,819**	**538,015**
EXECUTIVE DIRECTOR									
S Verner	325,085	21,329	17,375	9,236	86,041	86,041	252,256	-	797,363
Sub-total Executive Directors	**325,085**	**21,329**	**17,375**	**9,236**	**86,041**	**86,041**[(8)]	**252,256**	**-**	**797,363**
KEY MANAGEMENT PERSONNEL									
J Costa	277,994	21,176	26,409	-	97,029	32,343	80,171	91,733	626,855
S Wells[(9)]	102,909	5,151	9,776	-	21,257	21,257	-[(9)]	18,497	178,847
J Currie[(10)]	208,495	7,757	19,807	-	114,151	-	(56,953)[(11)]	-[(11)]	293,257
J Morrissey[(12)]	208,495	15,634	19,807	-	82,760	42,807	77,302	-	446,805
D Corr[(13)]	187,765	10,053	17,837	102,389	-	-	(512,190)	-	(194,146)
R Schaefer[(14)]	208,495	14,162	21,331	40,095	57,076	57,076	108,030	-	506,265
Sub-total Key Management Personnel	**1,194,153**	**73,933**	**114,967**	**142,484**	**372,273**	**153,483**	**(303,640)**	**110,230**	**1,857,883**
TOTAL[(15)]	**1,991,828**	**95,262**	**144,948**	**151,720**	**458,314**	**239,524**	**(51,384)**	**163,049**	**3,193,261**

(1) All amounts translated from Australian Dollars to United States Dollars at an average exchange for the year ended 31 December 2019 of 0.6950.

(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 and/or cash on 12 March 2020, in respect of performance for the year ended 31 December 2019 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) The Board of Directors has also resolved to grant 100,000 performance rights to S Watts as part of her Director Contract, subject to shareholder approval at the 2020 Annual General Meeting.

(7) C Lampe-Onnerud ceased as a Non-Executive Director of the Company effective from 24 March 2019.

(8) The Board of Directors has resolved to grant 865,892 EIP performance rights to S Verner, subject to shareholder approval, and 994,172 performance rights to other Key Management Personnel for the year ending 31 December 2019. The performance rights granted to S Verner remain subject to shareholder approval.

(9) S Wells commenced employment with the Company as Chief Financial Officer on 2 September 2019 and he received a pro rata grant of 48,015 performance rights for the 2019 year on 12 March 2020

(10) J Currie ceased employment with the Company as Chief Legal Officer on 28 January 2020.

(11) J Currie relinquished all of her options and performance rights on 16 December 2019.

(12) J Morrissey ceased employment with the Company on 31 March 2020.

(13) D Corr ceased employment with the Company as Chief Financial Officer on 31 October 2019.

(14) R Schaefer ceased employment with the Company on 31 December 2019.

(15) Non-Executive Directors are entitled receive a travel stipend of $3,475 (A$5,000) for each international trip where the travel time is in excess of seven hours of international travel.

Table 13: 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[10]	**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 24 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.

(10) 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.

(G) EXECUTIVE SERVICE AGREEMENTS

Remuneration and other key terms of employment for Executive Directors and Key Management Personnel for the year ending 31 December 2019 as 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	Ceased(1)	A$355,000	50% of TFR	50% of TFR	3 months	3 months	6 months Total Fixed Remuneration
S Wells	Chief Financial Officer	Ongoing(2)	A$410,625	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(3)	A$328,500	50% of TFR	50% of TFR	3 months	3 months	3 months Total Fixed Remuneration
J Morrissey	Chief People Officer	Ongoing(4)	A$328,500	50% of TFR	50% of TFR	3 months	3 months	3 months Total Fixed Remuneration
R Schaefer	Chief Commercial Officer	Ceased(5)	A$328,500	50% of TFR	50% of TFR	3 months	3 months	3 months Total Fixed Remuneration

(1) D Corr ceased employment with the Company as Chief Financial Officer on 31 October 2019.

(2) S Wells commenced employment with the Company as Chief Financial Officer on 2 September 2019.

(3) J Currie ceased employment with the Company as Chief Legal Officer on 28 January 2020.

(4) J Morrissey ceased employment with the Company on 31 March 2020.

(5) R Schaefer ceased employment with the Company on 31 December 2019.

(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(1)	VALUE PER RIGHT AT GRANT DATE
21-Mar-17	1-Jan-20	-	100,012	A$2.88
26-May-17	1-Jan-20	-	121,773	A$2.88
14-Mar-18	1-Jan-21	-	66,130	A$3.93
18-May-18	1-Jan-21	-	93,974	A$3.93
25-Jun-18	1-Jan-21	-	32,485	A$3.93
21-Mar-19	1-Jan-22	-	257,846	A$1.70
27-May-19	1-Jan-22	-	217,558	A$1.70
12-Mar-20	1-Jan-23	-	994,172(2)	A$0.43
12-Mar-20	1-Jan-22	-	48,015(3)	A$0.43

(1) The Board of Directors has also resolved to grant 100,000 performance rights to S Watts as part of her Director Contract, subject to shareholder approval at the 2020 Annual General Meeting.

(2) 994,172 Performance Rights were issued to Key Management Personnel pursuant to the LTI program in respect of the period commencing 1 January 2020. In addition, the Board of Directors has also resolved to grant 865,892 Performance Rights to S Verner as his LTI, subject to shareholder approval.

(3) 48,015 Performance Rights were issued to Key Management Personnel pursuant to the LTI program in respect of the period commencing 1 January 2019 as a pro-rata allocation to Key Management Personnel who commenced employment with the Company part way through 2019.

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 (2019/2018: 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
26-May-17	26-May-18	26-May-20	A$4.27(1)	1,000,000(2)	A$0.66
25-Jun-18	4-Jun-19	25-Jun-21	A$4.34(1)	600,000(3)	A$0.52
27-May-19	16-Jul-19	16-Jul-21	A$2.86	400,000(4)	A$0.19
7-Oct-19	7-Oct-20	7-Oct-22	A$0.70	600,000(5)	A$0.19

(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. Subsequently, effective from 30 July 2019, 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 5 pro-rata accelerated non-renounceable entitlement offer.

(2) 1,000,000 unlisted options issued to S Verner, Managing Director and Chief Executive Officer.

(3) 600,000 unlisted options issued to J Costa, Chief Operating Officer.

(4) 400,000 unlisted options issued to L Bahash, Non-Executive Director in accordance with the resolution passed at the Annual General Meeting on 24 May 2019.

(5) 600,000 unlisted options issued to S Wells, Chief Finance Officer.

(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 2019	ORDINARY SHARES GRANTED	ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS	ON MARKET ACQUISITIONS/ (DISPOSALS)	OTHER	BALANCE 31 DECEMBER 2019
DIRECTORS						
J Askew	107,517	-	-	250,000	20,000[(1)]	377,517
S Riggall	20,627	-	-	-	4,125[(1)]	24,752
J Caldeira	12,082	-	-	-	-	12,082
L Bahash	15,583	-	-	-	-	15,583
S Watts[(2)]	-	-	-	38,000	-	38,000
EXECUTIVE DIRECTOR						
S Verner	80,231	180,470 [(3)(4)]	-	-	-	260,701
KEY MANAGEMENT PERSONNEL						
S Wells[(4) (7)]	-	-	-	-	-	-
D Corr[(8)]	59,594	187,456 [(5)(6)]	-	-	(247,050)[(8)]	-
J Costa	-	95,487 [(4)(5)]	-	-	19,097[(1)]	114,584
J Currie[(9)]	9,321	95,487 [(5)]	-	(104,808)	-	-
J Morrissey	29,512	95,487 [(4)(5)]	-	(108,856)	-	16,143
R Schaefer[(10)]	29,072	82,755 [(5)]	-	(7,500)	22,364	126,691

(1) Shares acquired through participation in the Retail Entitlement Officer announced on 19 June 2019.

(2) S Watts appointed as a Non-Executive Director of the Company 3 June 2019.

(3) Fully paid ordinary shares issued to S Verner pursuant to the resolution passed at Annual General Meeting 24 May 2019.

(4) The Board of Directors resolved to issue 286,473 shares to S Verner and 320,983 shares to Key Management Personnel pursuant to the STI Program for the 2019 year. The shares to be to be issued to S Verner remain subject to shareholder approval at the Annual General Meeting. The shares issued to Key Management Personnel were issued on 12 March 2020 and are not included in the above reconciliation.

(5) Shares issued on 21 March 2019 pursuant to the STI Program in respect of the year ended 31 December 2018.

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

(7) S Wells commenced as Chief Financial Officer on 2 September 2019.

(8) D Corr ceased his role as Chief Financial Officer on 31 October 2019.

(9) J Currie ceased employment with the Company on 28 January 2020.

(10) R Schaefer ceased employment with the Company on 31 December 2019. 178,145 shared issued on 6 January 2020 pursuant to the STI program for the 2019 year.

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 2019	GRANTED DURING THE PERIOD	LAPSED DURING THE PERIOD	NET CHANGE OTHER	BALANCE 31 DECEMBER 2019	VESTED	UNVESTED
DIRECTORS								
S Verner(5)	2019(1)	-	217,558	-	-	217,558	-	217,558
	2018	93,974	-	-	-	93,974	-	93,974
	2017	121,773	-	-	-	121,773	-	121,773(3)
	Total	**215,747**	**217,558**	**-**	**-**	**433,305**	**-**	**433,305**
KEY MANAGEMENT PERSONNEL								
D Corr	2019	-	104,492	(104,492)	-	-	-	-
	2018	45,136	-	(45,136)	-	-	-	-
	2018	118,663	-	-	(118,663)	-	-	-
	2017	61,679	-	(61,679)	-	-	-	-
	2016	45,946(2)	-	(45,946)	-	-	-	-
	Total	**271,424**	**104,492**	**(257,253)**	**(118,663)**	**-**	**-**	**-**
J Costa(5)	2019(1)	-	128,923	-	-	128,923	-	128,923
	2018	32,485	-	-	-	32,485	-	32,485
	Total	**32,485**	**128,923**	**-**	**-**	**161,408**	**-**	**161,408**
J Currie	2019	-	96,692	(96,692)	-	-	-	-
	2018	41,766	-	(41,766)	-	-	-	-
	2018	14,269(4)	-	(14,269)	-	-	-	-
	Total	**56,035**	**96,692**	**(152,727)**	**-**	**-**	**-**	**-**
J Morrissey	2019	-	96,692	-	-	96,692	-	96,692
	2018	38,286	-	-	-	38,286	-	38,286
	2017	52,319	-	-	-	52,319	-	52,319(3)
	2016	12,597	-	(12,597)	-	-	-	-
	Total	**103,202**	**96,692**	**(12,597)**	**-**	**187,297**	**-**	**187,297**
R Schaefer	2019	-	96,692	(64,461)	-	32,231	-	32,231
	2018	41,766	-	(13,922)	-	27,844	-	27,844
	2017	47,693	-	-	-	47,693	-	47,693(3)
	Total	**89,459**	**96,692**	**(78,383)**	**-**	**107,768**	**-**	**107,768**
S Wells(5)	2019(1)	-	-	-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(1) The Board of Directors has also resolved to grant 865,892 Performance Rights to S Verner as his LTI, subject to shareholder approval. 3,026,960 Performance Rights were issued to Key Management Personnel and other executives and senior managers pursuant to the LTI program in respect of the period commencing on 1 January 2020. The performance rights issued to Key Management Personnel were issued on 12 March 2020 and are not included in the above reconciliation. J Costa and S Wells were granted 513,121 and 481,051 performance rights respectively in relation to the LTI program in respect of the period commencing on 1 January 2020. S Wells was also granted 48,015 performance rights in relation to his pro-rata LTI in respect of the period commencing on 1 January 2019, along with other employees totaling 19,272 performance rights; these performance rights were issued on 12 March 2020.

(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 2017, were subject to testing of vesting conditions in early 2020. All such rights lapsed on their terms.

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

(5) A total of 9,750,000 Performance rights are proposed to be issued to Key Management Personnel under the 5YPRI (as summarised in Section C of this report). S Verner is proposed to be issued 4,000,000 performance rights (subject to shareholder approval), J Costa 3,250,000 performance rights and S Wells 2,500,000 performance rights under the 5YPRI.

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 2019	GRANTED BALANCE DURING THE PERIOD	OPTIONS EXERCISED	NET CHANGE OTHER (INC EXPIRY / LAPSE)	BALANCE 31 DECEMBER 2019	VESTED	UNVESTED	EXERCISE PRICE
DIRECTORS								
J Caldeira	400,000	-	-	(400,000)	-	-	-	$6.20[1]
C Lampe-Onnerud[2]	400,000	-	-	(400,000)	-	-	-	$5.04
S Giorgini[3]	400,000	-	-	(400,000)	-	-	-	$3.85
L Bahash[4]	-	400,000	-	-	400,000	400,000	-	$2.86[1]
EXECUTIVE DIRECTOR								
S Verner[5]	1,000,000	-	-	-	1,000,000	1,000,000	-	$4.27[1]
KEY MANAGEMENT PERSONNEL								
J Costa	600,000	-	-	-	600,000	600,000	-	$4.34[1]
S Wells[6]	-	600,000	-	-	600,000	-	600,000	$0.70
J Currie[7]	600,000	-	-	(600,000)	-	-	-	$4.64[1]
R Schaefer[8]	600,000	-	-	(600,000)	-	-	-	$4.08[1]

(1) Effective from 30 July 2019, 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 5 pro-rata accelerated non-renounceable entitlement offer.

(2) 400,000 unlisted options issued to C Lampe-Onnerud, Non-Executive Director expired effective 24 May 2019 in accordance with their terms following C Lampe-Onnerud's resignation on 24 March 2019.

(3) 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.

(4) 400,000 unlisted options issued to L Bahash, Non-Executive Director in accordance with the resolution passed at the Annual General Meeting on 24 May 2019.

(5) 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.

(6) S Wells commenced employment with the Company as Chief Financial Officer on 2 September 2019. 600,000 options were issued to S Wells upon his appointment and vest one year from that date.

(7) J Currie's option lapsed in accordance with their terms on cessation of employment.

(8) R Schaefer ceased employment with the Company on 31 December 2019 and his options lapsed in accordance with their terms.

(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

	2019 US$	2018 US$
Provision of services		
Product technology development services provided Cadenza Innovation Inc[1]	301,119	1,990,282
Legal services provided by Sal & Caldeira Advogados, Lda[2]	195,343	125,950
	496,462	**2,116,232**

(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 24 March 2019. The contract with Cadenza has continue subsequent to C Lampe-Onnerud's resignation.

(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.

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:

	2019 US$	2018 US$
Trade and other payables	8,508	1,000

(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 2019	31-DEC 2018	31-DEC 2017	31-DEC 2016	31-DEC 2015
Market capitalisation (US$'000)	136,156	386,705	1,045,520	582,107	658,231
Closing share price (US$)	0.33	1.13	3.52	2.21	2.85
Loss after income tax for the period (US$'000)	(130,549)	(28,970)	(28,970)	(14,491)	(2,356)
Basic earnings per share (US cents)	(34.56)	(9.30)	(4.51)	(5.84)	(1.09)

SHARE 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					
Long Term Incentive Plan ("LTIP")					
26-May-17	26-May-18	26-May-20	A$4.27 (1)(2)	1,000,000	A$0.66
Equity Incentive Plan ("EIP")					
25-Jun-18	4-Jun-18	25-Jun-21	A$4.34 (2)	600,000	A$0.52
27-May-19	16-Jul-19	16-Jul-21	A$2.86 (2)	400,000	A$0.19
07-Oct-19	07-Oct-20	07-Oct-22	A$0.70	600,000	A$0.19
Total Options				**2,600,000**	
Performance Rights					
LTIP					
14-Mar-18	1-Jan-21	-	-	134,274	A$3.93
18-May-18	31-Dec-20	-	-	93,974	A$3.93
EIP					
25-Jun-18	31-Dec-20	-	-	32,485	A$3.93
7-Aug-18	31-Dec-18	-	-	12,240	A$2.92
21-Mar-19	1-Jan-22	-	-	650,993	A$1.70
27-May-19	1-Jan-22	-	-	217,558	A$1.70
30-Aug-19	31-Dec-20	-	-	600,194	A$0.70
12-Mar-20	1-Jan-23	-	-	3,026,960(2)	A$0.43
12-Mar-20	1-Jan-22	-	-	67,287(3)	A$0.43
Total Performance Rights				**4,835,965**	

(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. Subsequently, effective from 30 July 2019, 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 5 pro-rata accelerated non-renounceable entitlement offer.

(2) The Board of Directors has also resolved to grant 100,000 performance rights to S Watts as part of her Director Contract, subject to shareholder approval at the 2020 Annual General Meeting. 3,026,960 Performance Rights were issued to Key Management Personnel and other executives and senior managers pursuant to the LTI program in respect of the period commencing 1 January 2020. In addition, the Board of Directors has also resolved to grant 865,892 Performance Rights to S Verner as his LTI, subject to shareholder approval.

(3) 67,287 Performance Rights were issued to Key Management Personnel and other executives and senior managers pursuant to the LTI program in respect of the period commencing 1 January 2019 as a pro-rata allocation to employees who started work with the Company part way through 2019.

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 2019 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.

	2019 US$'000	**2018 US$'000**
Assurance Services		
PwC Australian firm	204	224
Network firms of PwC Australian firm	87	93
Total remuneration for audit services	**291**	**317**
Non-assurance services		
PwC Australian firm		
Tax compliance services	66	47
Tax consulting services	121	15
Network firms of PwC Australian firm		
Other consulting services	5	-
Total remuneration for non-assurance services	**192**	**62**
Total remuneration paid to PricewaterhouseCoopers	**483**	**379**

The Group's policy allows the engagement of PricewaterhouseCoopers on certain assignments additional to their statutory audit duties where PricewaterhouseCoopers expertise and experience with the Group are important, subject to a cap in fees on individual assignments, and a cap on aggregate fees over the course of a year. Certain assignments, and assignments in excess of these caps, require approval from the Audit and Risk Committee.

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.

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 50.

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

31 March 2020

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Syrah Resources Limited for the year ended 31 December 2019, 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
31 March 2020

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

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 22, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 31 March 2020. 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 US$'000	2018 US$'000
Revenue from continuing operations			
Revenue	3	72,186	-
Cost of sales	4	(105,477)	-
Gross profit/(loss)		(33,291)	-
Distribution costs	5	(11,169)	-
Administrative expenses	6	(8,644)	(30,823)
Other income/(expenses)		(330)	(1,152)
Write-down of inventories		(6,687)	-
Total expenses		(26,830)	(31,975)
Impairment of assets	9	(96,868)	-
Profit/(loss) before net finance income and income tax		**(156,989)**	**(31,975)**
Finance income		1,145	1,207
Finance expenses		(2,006)	(69)
Net finance income/(expenses)		**(861)**	**1,138**
Profit/(loss) before income tax		(157,850)	(30,837)
Income tax (expense)/benefit	7	27,301	1,867
Loss after income tax for the year attributable to the owners of Syrah Resources Limited		(130,549)	(28,970)
Other comprehensive income			
Items that may be reclassified subsequently to the profit or loss			
Exchange differences on translation of foreign subsidiaries	10b	(924)	(1,128)
Other comprehensive income/(loss) for the year, net of tax		(924)	(1,128)
Total comprehensive income/(loss) for the year attributable to the owners of Syrah Resources Limited		**(131,473)**	**(30,098)**
Loss per share attributable to the owners of Syrah Resources Limited		**Cents**	**Cents**
Basic loss per share	18	(34.56)	(9.30)
Diluted loss per share	18	(34.56)	(9.30)

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 2019

		2019	2018
	NOTES	US$'000	US$'000
Assets			
Current assets			
Cash and cash equivalents	8a	80,577	77,149
Trade and other receivables	8b	4,471	12,446
Inventories	9a	18,023	-
Available-for-sale financial assets		162	82
Total current assets		**103,233**	**89,677**
Non-current assets			
Trade and other receivables	8b	19,593	20,771
Property, plant and equipment	9c	160,671	31,442
Mining assets	9b	120,731	331,202
Intangible assets		151	225
Deferred tax assets	9d	27,753	452
Total non-current assets		**328,899**	**384,092**
Total assets		**432,132**	**473,769**
Liabilities			
Current liabilities			
Trade and other payables	8c	11,464	15,926
Lease liabilities	8d	1,837	1,490
Provisions	9e	481	451
Total current liabilities		**13,782**	**17,867**
Non-current liabilities			
Borrowings	8e	39,688	-
Lease liabilities	8d	16,794	4,102
Provisions	9e	10,007	6,590
Total non-current liabilities		**66,489**	**10,692**
Total liabilities		**80,271**	**28,559**
Net assets		**351,861**	**445,210**
Equity			
Issued capital	10a	563,694	525,085
Reserves	10b	(7,337)	(2,656)
Accumulated losses		(204,496)	(77,219)
Total equity		**351,861**	**445,210**

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 2019

	CONTRIBUTED EQUITY	ACCUMULATED LOSSES	RESERVES	TOTAL EQUITY
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2019	**525,085**	**(77,219)**	**(2,656)**	**445,210**
Change in accounting policy (note 22(bb))	-	(628)	-	(628)
Restated total equity at 1 January 2019	**525,085**	**(77,847)**	**(2,656)**	**444,582**
Loss after income tax expense for the year	-	(130,549)	-	(130,549)
Other comprehensive income/(loss) for the year, net of tax	-	-	(924)	(924)
Total comprehensive income/(loss) for the year	-	(130,549)	(924)	(131,473)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	37,507	-	-	37,507
Share-based payments	-	-	1,245	1,245
Transfers from share-based payments reserve:				
- Issuance of shares	1,102	-	(1,102)	-
- Expired / lapsed options and performance rights	-	3,900	(3,900)	-
	38,609	3,900	(3,757)	38,752
Balance at 31 December 2019	**563,694**	**(204,496)**	**(7,337)**	**351,861**
Balance at 1 January 2018	**452,601**	**(50,676)**	**(9,289)**	**392,636**
Loss after income tax expense for the year	-	(28,970)	-	(28,970)
Other comprehensive income/(loss) for the year, net of tax	-	-	(1,128)	(1,128)
Total comprehensive income/(loss) 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**	**(77,219)**	**(2,656)**	**445,210**

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 2019

	NOTES	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Receipts from customers		69,519	-
Payments to suppliers and employees (inclusive of goods and services tax)		(104,417)	(11,128)
Interest received		1,312	1,106
Net cash inflow/(outflow) from operating activities	11	**(33,586)**	**(10,022)**
Cash flows from investing activities			
Payments for property, plant and equipment		(29,930)	(16,733)
Payments for mining assets		(5,412)	(76,608)
Payments for intangibles		(20)	(7)
Payments for security deposits		(1,248)	(1,243)
Net cash inflow/(outflow) from investing activities		**(36,610)**	**(94,591)**
Cash flows from financing activities			
Proceeds from issue of shares		39,206	73,598
Proceeds from issue of convertible note		39,072	-
Share issue transaction costs		(1,699)	(2,369)
Payment for interest on lease liabilities		(1,272)	-
Payments of lease liabilities		(1,682)	(693)
Net cash inflow/(outflow) from financing activities		**73,625**	**70,536**
Net (decrease)/increase in cash and cash equivalents		**3,429**	**(34,077)**
Cash and cash equivalents at beginning of the financial year		77,149	111,912
Effects of exchange rate changes on cash and cash equivalents		(1)	(686)
Cash and cash equivalents at end of the financial year	8a	**80,577**	**77,149**

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 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.

Estimate and assumptions which are material to the financial report are found in the following notes:

- Impairment of non-current assets – assessment of indicators of impairment and review of asset carrying values – note 9(b)
- Close-down restoration and environmental obligations – estimation costs and the timing of expenditure–note 9(e)
- Recoverability of deferred tax assets for carried forward tax losses – note 9(d)
- Recoverability of input tax credits – note 8(b)
- Carry forward value of exploration and evaluation – note 9(b)
- Liquidity – note 12(c)

The Balama Graphite Operation ("Balama") transitioned to operations on 1 January 2018 following the achievement of first production of graphite in late 2017 and declared commercial production from 1 January 2019.

Upon commencement of commercial production, the capitalisation of certain mine construction and operation costs net of sales receipts ceased. From this point, costs have been attributed to inventory or expensed in the period in which they are incurred, except for capitalised costs related to property, plant and equipment that provide a future economic benefit, and certain exploration and evaluation expenditures. At this point depreciation and amortisation of previously capitalised costs also commenced.

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 19.

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 Statement of Comprehensive Income 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 of (for net investment hedges), at which time they are recognised in the Statement of Comprehensive Income.

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 2019: 0.7006) (31 December 2018: 0.7058) and the Statement of Comprehensive Income is translated at the average exchange rate for the financial year (2019: 0.6950) (2018: 0.7478). 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 Production, distribution and sale of natural flake graphite from the Balama Graphite Operation ("Balama") in Mozambique.

BAM Ongoing assessment and development of downstream Battery Anode Material ("BAM") opportunities for natural flake graphite including the development of a processing facility in the USA.

Corporate Corporate administration and investing activities.

b) Segment information

	BALAMA	BAM	CORPORATE	CONSOLIDATED
	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2019				
Total segment revenue	72,234	-	-	72,234
Inter-segment revenue	(48)	-	-	(48)
Revenue from external customers	72,186	-	-	72,186
Total segment result before income tax expense	(148,504)	(41)	(9,305)	(157,850)
Year ended 31 December 2018				
Total segment revenue	-	-	-	-
Inter-segment revenue	-	-	-	-
Revenue from external customers	-	-	-	-
Total segment result before income tax expense	(20,572)	(169)	(10,096)	(30,837)
Total segment assets				
31 December 2019	304,704	45,432	81,996	432,132
31 December 2018	369,452	30,334	73,983	473,769
Total segment liabilities				
31 December 2019	(38,381)	(531)	(41,359)	(80,271)
31 December 2018	(24,430)	(2,851)	(1,278)	(28,559)

NOTE 3. REVENUE

	2019	2018
	US$'000	US$'000
Revenue from external customers	72,186	-
Timing of revenue recognition		
- At a point in time – Product	66,303	-
- Over time – Freight	5,883	-

(a) Geographical information

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

	2019	2018
	US$'000	US$'000
China	54,787	-
Europe	8,612	-
India	3,919	-
Asia (excl. China & India)	2,906	-
Americas	1,900	-
Africa	62	-
	72,186	-

(b) Major customer information

Revenues from four major customers in China, which individually accounted for approximately 8% or greater of total segment revenues, amounted to $41.2 million arising from the sale of natural graphite products on CIF basis.

NOTE 4. COST OF SALES

	2019	2018
	US$'000	US$'000
Mining and production costs	79,238	-
Logistics costs	14,769	-
Government royalties	1,269	-
Depreciation and amortisation expense	11,929	-
Changes in inventories	(1,728)	-
	105,477	-

NOTE 5. DISTRIBUTION COSTS

	2019	2018
	US$'000	US$'000
Shipping costs	8,523	-
Depreciation and amortisation	95	-
Other selling costs	2,551	-
	11,169	-

NOTE 6. ADMINISTRATIVE EXPENSES

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

	2019 US$'000	2018 US$'000
Employee benefits:		
Salaries and wages	3,965	5,227
Share-based payments	1,295	4,296
Employee entitlements	228	392
Defined contribution superannuation expense	246	307
Total employee benefits expense	5,734	10,222
Legal and consulting expenses:		
Legal expenses	127	318
Consulting expenses	1,131	1,655
Total legal and consulting expenses	1,258	1,973
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
Other	1,652	3,994
Total other expenses	1,652	18,628
Total administrative expenses	8,644	30,823

(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 ended 31 December 2018.

(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 2019, the issuance of shares to the Mozambique Government entity had not occurred. An expense and a corresponding increase in the share-based payment reserve has been recognised in the year ended 31 December 2018 to reflect the contractual obligation to provide an interest in Twigg to the Mozambique Government entity (refer note 16(d) for further details).

NOTE 7. INCOME TAX EXPENSE

a) Income tax expense

	2019	2018
	US$'000	US$'000
Current tax expense	-	-
Deferred tax expense	(27,301)	(1,867)
Total tax expense/(benefit)	(27,301)	(1,867)
Deferred income tax		
(Increase)/decrease in deferred tax assets	(5,985)	(452)
Increase/(decrease) in deferred tax liabilities	(21,316)	(1,415)
Total deferred tax expense/(benefit)	(27,301)	(1,867)

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

	2019	2018
	US$'000	US$'000
Loss from continuing operations before income tax	(157,850)	(30,837)
Tax at the Australian tax rate of 30% (2018 – 30%)	(47,355)	(9,251)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	388	3,450
- Other non-deductible expenses	215	2,212
- Difference in overseas tax rates	(1,882)	578
- Movement in unrecognised temporary differences	(305)	(1,172)
- (Under)/over provision in the prior year	(2,016)	1,341
- Current year taxation losses not recognised as deferred tax assets	22,663	410
- Sundry items	991	565
Income tax expense/(benefit)	(27,301)	(1,867)

c) Taxation losses and unrecognised temporary differences

	2019	2018
	US$'000	US$'000
Unused taxation losses for which no deferred tax asset has been recognised	105,811	33,001
Potential taxation benefit at 30%	31,743	9,900
Temporary differences for which no deferred tax asset (net) has been recognised	590	409

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 utilisation;

> 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 8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a) Cash and cash equivalents

	2019	2018
	US$'000	US$'000
Cash at bank and in hand	17,700	8,133
Deposits at call	62,877	69,016
	80,577	77,149

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 2019 the weighted average interest rate on current accounts and term deposits was 1.28% (2018: 2.05%).

(i) Risk exposure

The Group's exposure to foreign exchange and interest rate risk is discussed in note 12. 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

	2019	2018
	US$'000	US$'000
Current		
Trade receivables	2,667	6,799
Prepayments	992	4,274
Other receivables	801	1,365
Input tax credits	11	8
Total current trade and other receivables	4,471	12,446
Non-current		
Input tax credits	14,381	16,768
Security deposits(1)	5,212	4,003
Total non-current trade and other receivables	19,593	20,771

(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 12.

(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 12 for more information on the credit quality of the Group's trade and other receivables.

Significant estimates and judgements

Input tax credits in Twigg amounting to $14.4 million (31 December 2018: $16.8 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 2019, cash refunds totaling $10.7 million (31 December 2018: $5.6 million) for input 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 is classified as non-current due to uncertainties on the timing of receipts.

c) Trade and other payables

	2019	2018
	US$'000	US$'000
Trade payables and accruals	10,318	14,880
Other payables	1,146	1,046
	11,464	15,926

(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 12.

(ii) Fair value measurement

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

d) Lease Liabilities

	2019	2018
	US$'000	US$'000
Current	1,837	1,490
Non-current	16,794	4,102
	18,631	5,592

The Lease Liabilities is measured at the present value of the fixed and variable lease payments, net of cash lease incentives, that are not paid at the balance date. Lease payments are apportioned between finance charges and a reduction of the lease liabilities using the incremental borrowing rate implicit in the lease where available, or an assumed Group incremental borrowing rate, to achieve a constant rate of interest on the remaining balance of the liability. In 2018 prior to the adoption of AASB16 *Leases*, the Group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*.

e) Borrowings

	2019	2018
	US$'000	US$'000
Initial face value of Convertible Note issued	39,093	-
Capitalised to principal outstanding		
- Interest expense	569	-
- Transaction costs	782	-
Deferred transaction costs	(756)	-
	39,688	-

In October 2019, Syrah Resources Limited issued a 5-year unsecured Convertible Note to AustralianSuper Pty Ltd as Trustee for AustralianSuper. Under the terms of the Convertible Note, the Group elected to accrue interest on the principal outstanding at a rate of 8% per annum, capitalised quarterly in arrears. Syrah Resources Limited also incurred $0.8 million of transaction costs related to the issuance of the Convertible Note which were capitalised when the Note was issued and are amortised to Finance Expense over the term of the Convertible Note.

The initial conversion of the Convertible Note is A$1.0036 per ordinary share. The Noteholder may elect to fully convert the Convertible Note into fully paid ordinary shares of Syrah Resources Limited at any time after 30 months from Date of Completion and prior to maturity or earlier if: a third party makes a takeover offer for all the Shares in the Company; or, the Company announces the execution of a scheme implementation agreement in respect of acquisition of all the Shares in the Company by scheme of arrangement. In an Event of Default the Noteholder may give notice to the Company to: demand payment of the principal outstanding on the Convertible Note by way of redemption of the Convertible Note, in which case the principal outstanding shall become immediately due and payable; or, elect to convert the Convertible Note into Shares.

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

a) Inventories

	2019	2018
	US$'000	US$'000
Stores and materials	12,928	-
Finished goods	5,095	-
	18,023	-

Inventory write-down

Write-down of inventories to net realisable value totaled $6.7 million in 2019 (2018: nil) and were recognized as an expense in the income statement.

b) Mining assets

	2019	2018
	US$'000	US$'000
Exploration and evaluation	1,306	1,306
Mine properties and development	119,425	33,297
Mines under construction	-	296,599
Total mining assets	120,731	331,202

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 2019				
Balance at beginning of the year	1,306	33,297	296,599	331,202
Current year expenditure capitalised (net)	-	626	-	626
Change in rehabilitation estimate	-	3,253	-	3,253
Transfers(1)	-	141,747	(296,599)	(154,852)
Amortisation expenses	-	(3,274)	-	(3,274)
Impairment losses	-	(56,224)	-	(56,224)
Balance at end of the year	1,306	119,425	-	120,731
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 rehabilitation estimate	-	-	(1,795)	(1,795)
Exchange differences	(3)	-	(553)	(556)
Balance at end of the year	1,306	33,297	296,599	331,202

(1) Following the declaration of commercial production on 1 January 2019, $137.2 million was transferred to Property, Plant and Equipment and $17.7 million to Inventories.

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 Balama in Mozambique. Inventories and separately identifiable property, plant and equipment were transferred to these categories on achievement of commercial production.

c) Property, plant and equipment

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	COMPUTER EQUIPMENT	ASSETS UNDER CONSTRUCTION	RIGHT OF USE ASSETS	TOTAL
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2019						
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
- Change in accounting policy (note 22(bb))	-	(5,393)	-	-	12,595	7,202
Restated net book amount	639	269	59	25,082	12,595	38,644
For the financial year ended 31 December 2019						
Balance at beginning of period	639	269	59	25,082	12,595	38,644
Additions	-	7	13	27,543	8,084	35,647
Disposals (at net book value)	-	(9)	-	-	(1,085)	(1,094)
Transfers from Mines Under Construction	13,599	115,963	680	6,949	-	137,191
Depreciation charge	(452)	(5,596)	(154)	-	(2,889)	(9,091)
Impairment losses	(4,474)	(36,170)	-	-	-	(40,644)
Exchange differences	-	60	-	(41)	(1)	18
Balance at end of the year	9,312	74,524	598	59,533	16,704	160,671
At 31 December 2019						
Cost	14,396	116,676	905	59,533	19,599	211,109
Accumulated depreciation and impairment	(5,084)	(42,152)	(307)	-	(2,895)	(50,438)
Net book amount	9,312	74,524	598	59,533	16,704	160,671
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 period	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

Assets Under Construction

Assets Under Construction at 31 December 2019 consists of capitalised project and product development costs for the downstream BAM project of $52.8 million and sustaining capital costs for Balama of $6.7 million.

Depreciation charge

For the financial year ended 31 December 2019, $9.1 million of Depreciation expense was recognised in the Statement of Comprehensive Income (2018: $0.5 million), and recognised in Mine Properties and Development (2018: $0.3 million).

Leased assets

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*. The assets were presented in plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of AASB 16 *Leases* on 1 January 2019, please refer to note 22(bb).

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 Group conducts a review of the key drivers of the recoverable amount of cash generating units ('CGUs') annually, which is used as a source of information to determine whether there is an indication of impairment. Other factors, such as changes in assumptions in future commodity prices, exchange rates, production rates and input costs, are also monitored to assess for indications of impairment. Where an indicator of impairment exists, a detailed estimate of the recoverable amount is determined. An impairment loss is recognised for a CGU when the recoverable amount is less than the carrying amount. As at 31 December 2019, 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.

CGUs represent a grouping of assets at the lowest level for which there are separately identifiable cash flows that are largely independent of the cash inflows from other assets or groups of assets. The Group has identified Balama and BAM Project as CGUs for which impairment testing is undertaken.

As reported at 30 June 2019, Syrah had determined the recoverable amount of Balama was less than the carrying value and a post-tax impairment of US$65.9 million was recognised at 30 June 2019. The circumstances that led to recognition of an impairment at 30 June 2019 was primarily due to slower than previously foreshadowed ramp-up of production at Balama, driven predominately by market demand factors (sales volume and selling prices).

Following the 30 June 2019 impairment relating to Balama, the Group has conducted carrying value analysis to determine the recoverable amount of Balama and BAM Project CGUs and has not identified any additional impairment to the carrying values of non-current assets as at 31 December 2019.

Balama Graphite Operation CGU

(i) Methodology

An impairment loss is recognised for a CGU when the recoverable amount is less than the carrying amount. The recoverable amount of Balama 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).

The Fair Value estimates are considered to be level 3 fair value measurements (as defined by accounting standard AASB 13) as they are derived from valuation techniques that include inputs that are not based on observable market data.

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 Balama CGU as at 31 December 2019 is based on a number of assumptions. Those key assumptions that the recoverable amount is most sensitive to include:

> 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 2019 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 forecast based on external information and are kept constant in real terms after five years.
- > Reserves and resources – life of mine production is based on Ore Reserves and a portion of the Mineral Resources (totaling approximately 1% of the total mineral resources excluding ore reserves) 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 high 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. 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.
- > 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 with consideration of near-term supply and demand market considerations in relation to progressive ramp-up to name-plate production. Operating costs are based on existing fixed and variable cost base, capturing both completed and in-progress reductions to the cost base since the last asset carrying value assessment period at 30 June 2019. As production ramp-up remains in progress, the production capability of the plant at design capacity is informed by the as built design, review of physical parameters by independent technical experts and production improvement plans and assessments by the operations team at Balama.
- > 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. Discount rate of 12.3% (real post-tax) has been applied to 30 June 2019 and 31 December 2019 impairment testing.

(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 Balama CGU as at 31 December 2019 of US$358 million:

US$10 per tonne decrease in graphite price (CIF Nacala)	$16 million
1 MZN increase in the USD:MZN exchange rate	$3 million
5% increase in estimated operating costs	$30 million
10% increase in the discount rate (from 12.30% to 13.53%)	$46 million

A reasonably possible change in circumstances may affect these key assumptions, the fair value and potentially result in a material adjustment to the carrying value of Balama. 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

(i) Methodology

Future cash flows and recoverable amount of the CGU are based on a number of assumptions, including product selling price expectations, discount rates 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.

The accumulated investment of the Group's BAM investment is presented as an Asset Under Construction and is recorded at a cost of US$45.4 million as at 31 December 2019. 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.

(ii) Key Assumptions

The Group's 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

Future assumptions regarding selling prices of finished product from BAM are informed by current observed market prices for equivalent existing products produced by incumbent supply chain participants. Operating costs are informed by studies undertaken to date and from operating data from the plant at Vidalia as at 31 December 2019.

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, 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.

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.

d) Deferred tax balances

	2019	2018
	US$'000	US$'000
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Financial liabilities(1)	-	333
Taxation losses(2)	2,302	21,435
Mining assets	25,451	-
Total deferred tax assets	27,753	21,768
Deferred tax liabilities:		
Mining assets	-	(21,316)
Financial liabilities(1)	-	-
Total deferred tax liabilities	-	(21,316)
Net deferred tax assets/(liabilities)	27,753	452

(1) Relates to unrealized foreign exchange loss/(gains) on revaluation of financial liabilities held by Twigg Exploration and Mining Limitada

(2) Relates to tax losses held by Twigg Limitada in Mozambique. Twigg will have 5 years to utilize these losses in accordance with Mozambique tax laws

Movements in deferred tax balances - 31 December 2019

	BALANCE AT 1 JANUARY 2019	(CHARGED) / CREDITED TO PROFIT OR LOSS	BALANCE AT 31 DECEMBER 2019
Deferred tax assets			
Financial liabilities	333	(333)	-
Taxation losses	21,435	(19,133)	2,302
Mining assets	-	25,451	25,451
	21,768	5,985	27,753
Deferred tax liabilities			
Mining assets	(21,316)	21,316	-
	(21,316)	21,316	-
Net deferred tax assets	452	27,301	27,753

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

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.

For the year ended 31 December 2019, Syrah has assessed whether the carried forward tax losses generating the deferred tax assets currently recognised on balance sheet will be utilised within the time periods required under Mozambique tax law. Syrah has determined that there is a sufficient degree of uncertainty in relation to certain tax losses which may not be used within the required time period and as a result have resolved to write off the Deferred Tax Assets relating to those carried forward tax losses, while retaining others where there is more certainty around usage of the tax losses.

e) Provisions

	2019	2018
	US$'000	US$'000
Current		
Employee benefits	481	451
	481	451
Non-current		
Employee benefits	50	29
Decommissioning and restoration	9,957	6,561
	10,007	6,590

Movements in decommissioning and restoration provision

	2019	2018
	US$'000	US$'000
Balance at beginning of the year	6,561	8,285
Additional provisions:		
- Capitalised to Mines Under Construction (note 9b)	3,253	(1,795)
- Unwind of discount	143	71
Balance at end of the year	9,957	6,561

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 10. EQUITY

a) Issued capital

	2019 SHARES	2018 SHARES	2019 US$'000	2018 US$'000
Issued and fully paid ordinary shares	413,493,062	343,603,692	563,694	525,085
	413,493,062	343,603,692	563,694	525,085

(i) Movements in ordinary share capital

	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE (A$)	TOTAL US$'000
31 December 2019			
Balance at beginning of the year	343,603,692	-	525,085
Issue of new shares:			
- Institutional placement	31,042,087	A$0.81	17,634
- Entitlement offer	37,852,622	A$0.81	21,573
- Equity-settled remuneration	994,661	-(1)	-
Transfers from share-based payment reserve(2)	-	-	1,102
Capital raising costs	-	-	(1,700)
Balance at end of the year	413,493,062	-	563,694
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

(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 16.

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 to the Mozambique Government entity. As at 31 December 2019, 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.

b) Reserves

	2019	2018
	US$'000	US$'000
Foreign currency translation reserve	(17,563)	(16,639)
Share-based payments reserve	10,226	13,983
	(7,337)	(2,656)

(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 2019			
Balance at beginning of the year	(16,639)	13,983	(2,656)
Foreign currency translation	(924)	-	(924)
Share-based payments	-	1,245	1,245
Issuance of shares	-	(1,102)	(1,102)
Transfer of expired/lapsed options and performance rights	-	(3,900)	(3,900)
Balance at end of the year	(17,563)	10,226	(7,337)
31 December 2018			
Balance at beginning of the year	(15,511)	6,222	(9,289)
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	(16,639)	13,983	(2,656)

(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 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 16(b) for further details).

NOTE 11. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2019	2018
	US$'000	US$'000
Loss after income tax expense for the year	(130,549)	(28,970)
Adjustments for:		
Depreciation and amortisation expense	12,212	513
Impairment of mining assets	96,868	-
Write-down of inventories	6,687	-
Share-based payments	1,295	11,443
Write-off of mining assets and production ramp-up costs	-	7,415
Interest expense	2,006	71
Gain on fixed assets disposal	(188)	(3)
Net foreign exchange (gain)/loss	355	693
Changes in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(2,107)	748
(Increase)/decrease in deferred tax assets	(27,301)	(21,768)
Increase/(decrease) in trade and other payables	7,086	(437)
Increase/(decrease) in provisions	50	372
Increase/(decrease) in deferred tax liabilities	-	19,901
Net cash outflow from operating activities	(33,586)	(10,022)

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 12. 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.

The Group continues to assess the impacts on its business broadly, and Financial Risk Management specifically, from COVID 19. These impacts include demand for its products, supply chain and people movement disruptions, and financial market volatility (including currency markets). Syrah is particularly focused on managing its Liquidity Risk and assessing a range of production and demand scenarios over the next 12 months.

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:

	2019	2018
	US$'000	**US$'000**
Financial Assets		
Cash and cash equivalents	80,577	77,149
Trade and other receivables	4,471	33,217
Available-for-sale financial assets	162	82
	85,210	110,448
Financial Liabilities		
Trade and other payables	11,464	15,926
Borrowings	39,688	-
Lease liabilities	18,631	5,592
	69,783	21,518

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), Mozambican Meticals (MZN) and Australian Dollars (AUD).

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:

	2019	2018
	US$'000	**US$'000**
Assets		
- US Dollars(1)	23,677	1,059
- Mozambique Meticals	20,515	21,735
- Other	25	25
	44,217	22,819
Liabilities		
- US Dollars	363	443
- Mozambique Meticals	3,746	5,350
- South African Rand	837	401
- Australian Dollars	126	283
	5,072	6,477
Net surplus/(deficit) position	39,145	16,342

(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 2019 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)	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
USD +5%	(1,865)	(779)	(23,855)	(19,126)
USD -5%	2,061	861	26,402	23,057

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk relates to interest income on Cash and Cash Equivalents. The 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.

Under the terms of the Convertible Note, the Group can elect each quarter to capitalise interest and add the amount to the Principal Outstanding at a rate of 8.0% or pay interest in cash at a rate of 7.5%. These interest rates are fixed for the term of the Convertible Note.

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 customers and not releasing bills of lading until receipt of the amount outstanding. Credit exposure limits are approved by the Audit and Risk Committee.

As at 31 December 2019, the Trade Receivables balance was US$ 2.7 million (2018: US$ 6.8 million) which are mostly 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 were US$ 0.7 million of trade receivables overdue as at 31 December 2019 which were fully recovered in early 2020.

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 has announced commercial production of natural graphite products from Balama 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 Balama, general and administrative expenditures and BAM Project activities. In addition, the effects of the COVID 19 virus on our business and the markets in which we operate could have an impact on the Group's Liquidity risk, and we continue to assess possible scenarios representing a broad range of factors.

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 2019	LESS THAN 6 MONTHS	BETWEEN 6-12 MONTHS	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT LIABILITIES
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-derivatives							
Non-interest bearing							
- Trade and other payables	11,464	-	-	-	-	11,464	11,464
Interest bearing							
- Lease liabilities	1,243	1,878	3,199	7,802	10,424	24,546	18,631
- Non-current borrowings[1]	-	-	-	59,281	-	59,281	39,688
Total non-derivative liabilities	12,707	1,878	3,199	67,083	10,424	95,291	69,783

(1) Non-current borrowings represent the Convertible Note issued by the Group during the period. The Convertible Note has a 5 year term however the Noteholder may elect to convert into fully paid ordinary shares of Syrah Resources Limited any time after 30 months from Date of Completion and prior to maturity or earlier if: a third party makes a takeover offer for all the Shares in the Company; or, the Company announces the execution of a scheme implementation agreement in respect of acquisition of all the Shares in the Company by scheme of arrangement. In an Event of Default the Noteholder may give notice to the Company to: demand payment of the Principal Outstanding on the Convertible Note by way of redemption of the Convertible Note, in which case the Principal Outstanding shall become immediately due and payable; or, elect to Convert the Convertible Note into Shares.

AS AT 31 DECEMBER 2018	LESS THAN 6 MONTHS	BETWEEN 6-12 MONTHS	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	TOTAL CONTRACTUAL 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 liabilities	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

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 13. 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:

	2019	2018
	US$'000	US$'000
Property, plant and equipment	1,628	3,010
Total capital commitments	1,628	3,010

The above capital expenditure commitments are in relation to the development and construction of Balama in Mozambique and the development of the downstream BAM project.

b) Operating lease expenditure commitments

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

	2019	2018
	US$'000	US$'000
Within one year	-	5,333
After one year but not more than five years	-	24,114
Minimum lease payments	-	29,447

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, 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 MZN316 million (US$5.0 million) as at 31 December 2019 (2018: US$3.7 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. This guarantee is required to remain in place for a period of two years after the signing of the Mining Agreement.

NOTE 14. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The impacts of COVID 19 are being felt globally, impacting direct customers and suppliers, the EV supply chain including battery manufacturing, consumer demand for electric vehicles, people movement, and logistics. Syrah continues to assess the impact of the COVID 19 virus on our business, noting that the Group had already planned for lower production during much of this period in order to restore balance between supply and demand and had taken steps to reduce its cost base accordingly. On 27 March 2020, Syrah released a statement to the ASX announcing a temporary suspension of production at Balama from 28 March 2020 as a result of restrictions on domestic and international travel in Mozambique, also noting that sales would continue to be dispatched from product inventory through the Port of Nacala, although this may also change. The level of liquidity and the recently implemented companywide cost restructure positions the company well to manage an extended period of uncertainty. Nevertheless these events could have a negative impact on the business, including the Group's Liquidity Risk Management, and we continue to assess those potential impacts. At this stage, no estimate of its financial effect can be made.

No other events have occurred subsequent to 31 December 2019 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.

ADDITIONAL OTHER INFORMATION

This section of the notes includes additional other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

NOTE 15. 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 20.

c) Key management personnel compensation

	2019	2018
	US$	**US$**
Short-term employee benefits	2,545,404	1,985,980
Post-employment benefits	144,948	134,396
Other benefits	151,720	47,328
Share-based payments	351,189	2,600,635
	3,193,261	4,768,339

Detailed remuneration disclosures are provided in the Remuneration Report on pages 23 to 48 of the Annual Report.

d) Transactions with related parties

Transactions with related parties are set out below:

	2019	2018
	US$	**US$**
Purchases of goods and services		
Technology and Product Development services provided by Cadenza Innovation Inc.(1)	301,119	1,990,282
Legal services provided by Sal & Caldeira Advogados, Lda(2)	195,343	125,950
	496,462	2,116,232

(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 24 March 2019. The contract with Cadenza has continued subsequent to C Lampe-Onnerud's resignation.

(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.

e) Outstanding balances arising from purchases of goods and services

	2019	2018
	US$	**US$**
Trade and other payables		
Related parties	8,508	1,000
	8,508	1,000

NOTE 16. 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, 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:

	2019		2018	
	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$4.62	4,800,000	A$4.70	6,750,000
Granted during the year	A$1.56	1,000,000	A$4.37	600,000
Exercised during the year (1)	-	-	-	-
Expired during the year	A$4.75	(3,200,000)	A$4.78	(2,550,000)
Balance at end of the year	A$3.25	2,600,000	A$4.62	4,800,000
Vested and exercisable at end of year	A$4.01	2,000,000	A$4.05	4,200,000

(1) There were no options exercised during the year ended 31 December 2019 and 2018.

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 2019 is represented by:

	2019		2018	
	NUMBER OF OPTIONS	EXERCISE PRICE RANGE	NUMBER OF OPTIONS	EXERCISE PRICE RANGE
Options issued as part of the EIP	1,600,000	A$0.70 to A$4.34	600,000	A$4.37
Options issued as part of the LTIP	1,000,000	A$4.27	3,300,000	A$3.85 to A$5.04
Options issued as part of the SOP	-	-	900,000	A$5.38 to A$6.23

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

			2019	2018
GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER	NUMBER
19-May-14	19-May-19	A$5.38	-	500,000
02-Oct-14	02-Oct-19	A$6.23	-	400,000
24-May-16	24-May-19	A$5.04	-	400,000
01-Mar-17	01-Mar-20	A$4.11	-	600,000
26-May-17	26-May-20	A$4.27	1,000,000	1,000,000
20-Oct-17	20-Oct-20	A$4.13	-	300,000
20-Oct-17	20-Oct-20	A$4.64	-	600,000
20-Oct-17	20-Oct-20	A$3.85	-	400,000
25-Jun-18	25-Jun-21	A$4.34	600,000	600,000
28-May-19	16-Jul-21	A$2.86	400,000	-
07-Oct-19	07-Oct-22	A$0.70	600,000	-
Total Options			**2,600,000**	**4,800,000**
Weighted average remaining contractual life of options outstanding at the end of the year			1.37 years	1.37 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
28-May-19	16-Jul-21	A$1.15	A$2.86	60.33%	-	1.13%	A$0.19
07-Oct-19	07-Oct-22	A$0.48	A$0.70	76.09%	-	0.60%	A$0.19

(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:

	2019 NUMBER	2018 NUMBER
Balance at the beginning of the year	1,090,031	710,783
Granted during the year	1,862,733	632,716
Exercised during the period	(143,143)	(78,255)
Lapsed during the year	(782,647)	(175,213)
Forfeited during the year	-	-
Balance at the end of the year	2,026,974	1,090,031
At 31 December 2019:		
- Vested	12,240	-
- Unvested	2,014,734	1,090,031
	2,026,974	1,090,031
Performance testing dates for unvested Performance Rights above are as follows:		
- 31 December 2018	-	265,390
- 31 December 2019	285,256	395,567
- 31 December 2020	860,926	429,074
- 31 December 2021	868,552	-
	2,014,734	1,090,031

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 to the Mozambique Government entity. As at 31 December 2019, the issuance of shares to the Mozambique Government entity has not occurred however an expense recognised in the previous 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 was determined based on the net present value of asset level estimated future cash flows 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:

	2019 US$'000	2018 US$'000
Recognised in profit and loss:		
Employee benefits		
- Options issued under the EIP	163	1,380
- Performance rights issued under the EIP	673	1,121
- Equity settled remuneration	459	1,795
Non-controlling interests	-	7,201
	1,295	11,497
Capitalised as mining assets	-	(54)
	1,295	11,443

NOTE 17. 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.

	2019	2018
	US$'000	US$'000
Assurance services:		
PwC Australian firm	204	224
Network firms of PwC Australian firm	87	93
Total remuneration for audit services	291	317
Non-assurance services:		
PwC Australian firm		
Tax compliance services	66	47
Tax consulting services	121	15
Network firms of PwC Australian firm		
Other consulting services	5	-
Total remuneration for non-assurance services	192	62
Total remuneration paid to PricewaterhouseCoopers	**483**	**379**

NOTE 18. EARNINGS PER SHARE

	2019	2018
	US Cents	US Cents
Earnings/(losses) per share		
Basic loss per share	(34.56)	(9.30)
Diluted loss per share	(34.56)	(9.30)

a) Reconciliations of earnings used in calculating earnings per share

	2019	2018
	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	(130,549)	(28,970)
Diluted loss		
Total profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted loss per share	(130,549)	(28,970)

b) Weighted average number of shares used as the denominator

	2019	2018
	NUMBER	NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	377,700,757	311,589,011
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	377,700,757	311,589,011

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 19. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

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

	2019	2018
	US$'000	**US$'000**
Balance sheet		
Current assets	44,866	21,950
Total assets	**510,251**	**442,660**
Current liabilities	1,820	1,141
Total liabilities	**42,467**	**1,170**
Shareholders' equity		
Issued capital	563,694	525,085
Reserves	(34,309)	(27,175)
Accumulated losses	(61,600)	(56,421)
Total equity	**467,785**	**441,489**
Loss after income tax for the year	**(9,039)**	**(11,207)**
Other comprehensive income/ (loss)	(3,377)	(40,190)
Total comprehensive income/ (loss) for the year	**(12,416)**	**(51,397)**

b) Contingent liabilities of the parent entity

The parent entity has no contingent liabilities as at 31 December 2019 and 31 December 2018.

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. This guarantee is required to remain in place for a period of two years after the signing of the Mining Agreement.

NOTE 20. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 22.

		PERCENTAGE OF EQUITY INTEREST HELD BY THE GROUP	
NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	2019 (%)	2018 (%)
Jacana Resources Proprietary Limited(1)	Australia	100	100
Syrah Resources (KSA) Pty Ltd	Australia	100	100
Twigg Exploration and Mining, Limitada	Mozambique	100(2)	100(2)
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 Proprietary Limited (formerly Jacana Resources Limited) changed from company limited by shares to proprietary limited company effective from 6 April 2018. This entity is part to a deed of cross guarantee (Deed) as disclosed in note 21.

(2) 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 the Mozambique Government entity. As at 31 December 2019, 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 21. 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'.

	2019	2018
	US$'000	US$'000
Consolidated statement of comprehensive income		
Revenue from continuing operations	288	194
Expenses:		
Employee benefits expense	(5,689)	(8,209)
Legal and consulting expense	(1,192)	(1,064)
Depreciation and amortisation expense	(206)	(87)
Foreign exchange loss – net	(355)	(97)
Other expenses	(1,315)	(1,944)
Finance expenses	(587)	-
Loss for the year before income tax expense	(9,056)	(11,207)
Income tax expense	-	-
Loss after income tax expense for the year	**(9,056)**	**(11,207)**
Other comprehensive income/ (loss)		
Exchange differences on translation of foreign subsidiaries	(3,325)	(39,320)
Total comprehensive income/ (loss) for the year	**(12,381)**	**(50,527)**
Summary of movements in consolidated accumulated losses		
Balance at beginning of the year	(57,439)	(48,659)
Loss after income tax expense for the year	(9,056)	(11,207)
Transfer from share-based payment reserve	3,900	2,427
Balance at end of the year	**(62,595)**	**(57,439)**

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'.

	2019	2018
	US$'000	US$'000
Current assets		
Cash and cash equivalents	36,457	13,552
Trade and other receivables	194	124
Available-for-sale financial assets	162	82
Total current assets	**36,813**	**13,758**
Non-current assets		
Property, plant and equipment	7,562	2,167
Right of use assets	263	-
Mine properties and development	11,526	16,793
Exploration and evaluation	53	53
Investments in subsidiaries	455,290	411,853
Intangibles	13	21
Other receivables	320	283
Total non-current assets	**475,027**	**431,170**
Total assets	**511,840**	**444,928**
Current liabilities		
Trade and other payables	1,446	929
Lease liabilities	152	-
Provisions	222	212
Total current liabilities	**1,820**	**1,141**
Non-current liabilities		
Borrowings	39,688	-
Lease liabilities	153	-
Provisions	50	29
Total non-current liabilities	**39,891**	**29**
Total liabilities	**41,711**	**1,170**
Net assets	**470,129**	**443,758**
Equity		
Issued capital	563,694	525,085
Reserves	(30,970)	(23,888)
Accumulated losses	(62,595)	(57,439)
Total equity	**470,129**	**443,758**

NOTE 22. 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 2019 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 20.

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 9).

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

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were 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, were included in Current Liabilities and Non-current Liabilities. Each lease payment was allocated between the liability and finance cost. The finance cost was 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 was 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 were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases property, warehouses and equipment. Rental contracts are typically made for fixed periods of 2 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, the Group has changed its accounting policy for leases following adoption of AASB 16 *Leases*. The impact of changes in accounting policy is disclosed in note 22(bb).

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease Liabilities include the net present value of the following lease payments:

> Fixed payments (including in-substance fixed payments), less any lease incentives receivable

> The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

> the amount of the initial measurement of lease liability

> any lease payments made at or before the commencement date less any lease incentives received

> any initial direct costs, and

> restoration costs

The Right-of-use Asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of office equipment.

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 realisable 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, was included in Mining Assets up to 31 December 2018. Since declaration of commercial production on 1 January 2019, inventory is now recognised as Inventories at the lower of cost and net realisable value (refer to note 9).

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 estimated life of mine on a straight-line basis.

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 9.

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 9).

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

(i) Classification

The Group classifies its financial assets in the following measurement categories:

> those to be measured subsequently at fair value (either through OCI or through profit or loss); and

> those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the Statement of Comprehensive Income or Other Comprehensive Income.

The Group reclassify debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial assets not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVPL are expensed in the Statement of Comprehensive Income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classify its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in Finance Income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the Statement of Comprehensive Income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the Statement of Comprehensive Income.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the Statement of Comprehensive Income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the Statement of Comprehensive Income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the Statement of Comprehensive Income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in Statement of Comprehensive Income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to Statement of Comprehensive Income following the derecognition of the investment. Dividends from such investments continue to be recognised in Statement of Comprehensive Income as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the Statement of Comprehensive Income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the Group assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses for the Group's trade receivables are reviewed on an ongoing basis. The Group has policies in place to manage exposures to customers from the sale of graphite. These include 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.

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) Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently measured at amortised costs, representing the applicable interest rate on the borrowings, and any value attributed to the option to convert the Note. The fee paid on the establishment of loan facilities was capitalised into the value of the loan, along with interest which can be paid to the Noteholder at a rate of 7.5% or capitalised at a rate of 8.0%.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

t) Provisions

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

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

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

Decommissioning and restoration provision

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

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

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

u) Employee entitlements

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using 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.

v) Contributed equity

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

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

w) Fair value measurement

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

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

x) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

> the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares; by

> the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

Diluted earnings per share

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

> the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

> the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in Other Receivables or Other Payables in the Statement of Financial Position.

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

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

z) Comparative figures

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

aa) Rounding of amounts

The 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.

bb) New accounting standards and interpretations

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 *Leases*. The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

Changes in accounting policies

(i) AASB 16 *Leases*

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted AASB 16 *Leases* retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of AASB 16 *Leases*, the Group recognised Lease Liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using an estimate of the Group's incremental borrowing rate as of 1 January 2019. The weighted average Group's incremental borrowing rate applied to the Lease Liabilities on 1 January 2019 was 6%.

For leases previously classified as finance leases the group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. There were no changes to the carrying amount of right-of-use asset and the liability at the date of initial application.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

> applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

> relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;

> accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

> excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

> using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and *Interpretation 4 Determining whether an Arrangement contains a Lease*.

Measurement of Lease Liabilities

The Right-of-use Assets were measured at the amount equal to the Lease Liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the Right-of-use Assets at the date of initial application.
The recognised Right-of-use Assets relate to the following type of assets:

	2019
	$'000
Operating lease commitments disclosed as at 31 December 2018	29,447
(Less): short-term leases recognised on a straight-line basis as expense	(17)
(Less): low value leases recognised on a straight-line basis as expense	(4)
(Less): operating lease reassessment	(19,598)
Discounted using the Group's incremental borrowing rate of 6%	(1,998)
Lease liabilities recognised on applying AASB 16 *Leases*	7,830
Add: finance lease liabilities recognised as at 31 December 2018	5,592
Lease liabilities recognised as at 1 January 2019	13,422

	31 DECEMBER 2019	**1 JANUARY 2019**
	$'000	**$'000**
Properties	13,523	7,202
Equipment	3,181	5,393
Total right-of-use assets	16,704	12,595

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	1 JANUARY 2019
	$'000
Increase/(decrease) in property, plant and equipment	(5,393)
Increase/(decrease) in right-of-use assets	12,595
(Increase)/decrease in lease liabilities	(7,830)
(Increase)/decrease in accumulated losses	(628)

Impact on segment disclosure and earnings per share

Adoption of AASB 16 impacted the Balama and Corporate segments (but not BAM) with segment loss, segment assets and segment liabilities for the interim period ended 31 December 2019 all increasing as a result of the change in accounting policy, as follows:

	ADJUSTED SEGMENT LOSS	SEGMENT ASSETS	SEGMENT LIABILITIES
	USD$'000	USD$'000	USD$'000
Balama	(4,025)	16,442	(18,326)
Corporate	(159)	262	(305)
Total	(4,184)	16,704	(18,631)

Earnings per share decreased by $1.11 per share for the 12 months to 31 December 2019 as a result of the adoption of AASB 16 *Leases*.

DIRECTORS' DECLARATION

SYRAH RESOURCES LIMITED
ABN 77 125 242 284

Level 28, 360 Collins Street
Melbourne Victoria 3000

t: +61 3 9670 7264
e: enquiries@syrahresources.com.au
w: www.syrahresources.com.au

In the Directors' opinion:

(a) the financial statements and notes set out on pages 51 to 99 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 2019 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 21 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 21.

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

Melbourne, Australia

31 March 2020

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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 2019 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 2019
- 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 (including Independence Standards)* (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.

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

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

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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 Operation 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$4.5 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 current lower levels of production at the Balama Graphite Operation. • We utilised a 1% threshold based on our professional judgement, noting it is within	• 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	• 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

the range of commonly acceptable thresholds.	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, and the engagement leader visited Mozambique.

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. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Liquidity and capital management *(Refer to note 12(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 during 2020, following the planned production reductions during 2019. These include 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 if required. As a result, 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 ramp-up of production and timing and volume of sales forecasts. • 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 9(c))

The financial report of the Group includes mining assets of $120.7 million and property, plant and equipment of $160.7 million as at 31 December 2019 across the Balama Graphite Operation and BAM cash generating units (CGUs).

Having identified an impairment indicator, in order to assess the recoverable amount of these assets, the Group prepared financial models (hereafter, the models) at 30 June 2019 and again at 31 December 2019 to determine if the carrying values of mining assets and property, plant and equipment were in excess of recoverable amounts.

The Group recognised a pre-tax impairment charge of $96.9 million for the half-year ended 30 June 2019 in the Balama Graphite Operation. The assessment at 31 December 2019 identified no impairment, and no indicators of reversal of impairment. No impairment was identified for BAM.

The models require a number of assumptions as described in note 9(c). The recoverability of these assets was a key audit matter given the financial significance of the impairment charge recognised during the year ended 31 December 2019, the significance of the Group's mining assets and property, plant and equipment balances to the financial position of the Group, and the judgements and assumptions required in assessing the assets' recoverable amount.

We evaluated the cash flow forecasts in the models 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 (2019) actual results with the figures included in the original budget.

For the Balama Graphite Operation we assessed:

- The total production profile and the mix between flake and fines production in the models 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 the schedule with operational management as part of our evaluation of the risks involved;

- The short term graphite price in the models 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 models by developing an understanding of and evaluating the Group's supply/demand analysis including involving PwC valuations experts 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 models 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 9(c), including those regarding the key estimates/assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

For BAM, we checked the mathematical accuracy of the models, and the reasonableness of the assumptions, including:

- Comparing long term price forecasts to industry and market data
- Comparing operating and capital expenditure assumptions to technical reports.
- Considering the progress of the project to date, and developments in the industry and markets.

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 2019, 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 23 to 48 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Syrah Resources Limited for the year ended 31 December 2019 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

Melbourne
31 March 2020

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 20 March 2020 except where otherwise indicated.

EQUITY SECURITY HOLDERS

TOP 20 LARGEST QUOTED SECURITY HOLDERS AS AT 20 MARCH 2020

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	92,709,414	22.36
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	55,040,442	13.28
3.	CITICORP NOMINEES PTY LIMITED	19,497,715	4.70
4.	COPPER STRIKE	9,141,369	2.21
5.	UBS NOMINEES PTY LTD	5,029,074	1.21
6.	WARBONT NOMINEES PTY LTD <ACCUMULATION ENTREPOT A/C>	3,622,134	0.87
7.	BNP PARIBAS NOMS (NZ) LTD <DRP>	3,592,488	0.87
8.	BNP PARIBAS NOMS PTY LTD <DRP>	2,820,639	0.68
9.	COMSEC NOMINEES PTY LIMITED	2,095,627	0.51
10.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,956,882	0.47
11.	WHALE WATCH KAIKOURA LTD	1,950,000	0.47
12.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,789,898	0.43
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,671,075	0.40
14.	GRAVCON PTY LTD	1,612,749	0.39
15.	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	1,458,158	0.35
16.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,375,814	0.33
17.	MR ALLAN RAYMOND PARHAM	1,228,000	0.30
18.	MR GREGORY JAMES ROBINSON	1,120,000	0.27
19.	MR DAVID ALLEN PARKER + MRS HELEN THIRZA JANE PARKER <PARKER SUPER FUND A/C>	1,000,000	0.24
20.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	986,105	0.24
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**209,697,583**	**50.58**
Total Remaining Holders Balance		**204,862,017**	**49.42**

UNQUOTED EQUITY SECURITIES AS AT 20 MARCH 2020

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options over ordinary shares	2,600,000	4
Performance rights over ordinary shares	4,835,965	55
Unlisted Convertible Note	1	1

SUBSTANTIAL HOLDERS

An extract of the Company's Register of Substantial Shareholders as at 20 March 2020 is set out below:

RANK	NAME	UNITS	% OF UNITS
1.	AustralianSuper Pty Ltd	68,292,583	16.52
2.	Bruce N Gray	30,528,406	7.38
3.	Credit Suisse Holdings (Australia) Limited	21,198,287	5.11
4.	Harbour Asset Management Limited	21,979,886	5.30

DISTRIBUTION OF EQUITABLE SECURITIES

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

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 100	270	3,507	0.00
101 – 1,000	1,843	1,077,278	0.26
1,001 – 10,000	5,062	22,679,328	5.47
10,001 – 100,000	3,046	94,309,207	22.75
>100,001	383	296,490,280	71.52
Rounding			0
Total	**10,604**	**414,559,600**	**100.00**
Holding less than a marketable parcel	3,505	3,328,289	0.80

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 20 MARCH 2020

PROJECT	LICENSE NUMBER	LICENSE TYPE	COUNTRY	INTEREST OWNED
Balama	6432C	Mining Concession	Mozambique	100%

SYRAH RESOURCES

Level 28, 360 Collins Street
Melbourne VIC 3000 Australia
p: +61 3 9670 7264
e: enquiries@syrahresources.com.au

www.syrahresources.com.au