



SYRAH RESOURCES

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Syrah Resources Limited
ABN 77 125 242 284

INTERIM REPORT
for the half-year ended 30 June 2021

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DIRECTORS' REPORT

The Directors present their report on the Syrah Resources Limited Group ("Syrah", "the Group" or "the consolidated entity"), consisting of Syrah Resources Limited ("the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2021. This interim report is presented in United States Dollars (USD) unless otherwise stated.

Directors

The following persons were Directors of the Company during the whole of the half-year period and up to the date of this report, unless otherwise stated:

James Askew	Non-Executive Chairman
Shaun Verner	Managing Director
José Manuel Caldeira	Non-Executive Director
Lisa Bahash	Non-Executive Director
Sara Watts	Non-Executive Director
John Beevers	Non-Executive Director

Principal activities

The principal continuing activities of the consolidated entity consisted of:

- Production of natural graphite products from the Balama Graphite Operation ("Balama") in Mozambique (production suspended from 28 March 2020 until 16 March 2021 due to COVID-19);
- 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 Active Anode Material ("AAM") at Vidalia and industrial products; and
- Development and execution of a downstream AAM strategy in the USA including completion of the Phase 1 facility, engagement with customers on the potential for offtake contracts, and development of construction and financing strategies for expansion of the facility.

REVIEW OF OPERATIONS

Business update

Balama production was suspended from 28 March 2020 due to the impacts of COVID-19 on operating conditions and market demand. During the interim financial period, the Company made the decision to restart production at Balama based on strong improvement in market conditions, and a restructured operating base. Production restart occurred ahead of schedule in March 2021, and the transition to sustainable operations at Balama progressed ahead of plan with production steadily increasing based on continued improvements in market demand and supportive leading indicators, and sales of Balama products to established end-user customers across various segments and geographies. Through the interim financial period Balama produced approximately 33,500 tonnes (H1 2020: 12,000 tonnes) and sold and shipped approximately 17,000 tonnes (H1 2020: 16,000 tonnes) of natural graphite. Towards the end of the period, unanticipated global shipping disruptions impacted shipments and sales volumes, which consequently impacted production volumes due to warehouse capacity, however overall market conditions remained strongly supportive of the restart decision.

During the interim financial period, the Company made strong progress to becoming a large scale vertically integrated producer of natural graphite AAM at its Vidalia facility in the USA. The Company achieved first fully integrated production of battery specification AAM from the carbonisation furnace at Vidalia, using natural graphite from Balama. Key workstreams on the expansion of Vidalia's production capacity to 10,000 tonnes per annum AAM during the period were: completion of Front End Engineering and Design ("FEED"); transition to detailed engineering and procurement with Worley Group; advancement of qualification processes with target customers; and, ongoing product and process development. The Company is planning to make an investment decision for the construction of a 10,000 tonnes per annum AAM facility

at Vidalia in the second half of 2021, subject to customer and financing commitments.

On 4 February 2021, in accordance with the obligations imposed on Group's subsidiary Twigg Exploration and Mining Limitada under the Mining Agreement with the Mozambique Government, Syrah completed the transfer of 5% quota holding in Twigg Exploration and Mining Limitada to Empresa Mocambicana De Exploracao Mineira, S.A ("EMEM").

Statement of comprehensive income

The loss for the consolidated entity after income tax amounted to \$25.0 million during the interim financial period ended 30 June 2021 (2020: \$28.7 million loss).

Revenue reported for the interim financial period comprised sales of natural graphite products of \$8.9 million (2020: \$7.4 million).

Cost of sales reported for the interim financial period was \$22.4 million (2020: \$24.7 million), mainly comprised of mining and production costs of \$18.2 million (2020: \$17.3 million), logistics costs of \$5.5 million (2020: \$4.9 million), depreciation and amortisation expense relating to Balama of \$4.9 million (2020: \$4.9 million), offset by changes in inventories of -\$7.1 million (2020: -\$2.6 million).

Total other expenses for the interim financial period were \$7.4 million (2020: \$9.2 million) and included the following:

- Distribution costs of \$1.9 million (2020: \$2.5 million), of which \$1.1 million (2020: \$1.3 million) were shipping costs;
- Administrative expenses of \$5.0 million (2020: \$3.2 million), of which \$3.2 million (2020: \$2.2 million) related to employee benefits;
- Write-down of inventories due to valuation of inventories at the lower of cost or net realisable value of \$1.7 million (2020: \$4.0 million); and,
- Offset by other income of \$1.2 million (2020: \$0.5 million) principally due to unrealised foreign exchange gains on revaluation of Australian Dollar Cash and Cash Equivalent balance.

Net finance expenses of \$2.6 million (2020: \$1.9 million) related to interest income from investment in term deposits of \$0.01 million (2020: \$0.3 million), offset by finance expense relating to interest incurred on the Convertible Notes of \$1.9 million (2020: \$1.5 million) and Right-of-Use Assets of \$0.5 million (2020: \$0.6 million).

The total comprehensive loss was \$25.0 million (2020: \$28.9 million) and included a non-cash gain of \$0.01 million (2020: loss of \$0.2 million) from the translation of the holding company's financial statements from Australian dollars (AUD) to United States dollars (USD) presentation currency due to the weakening of the AUD against the USD during the interim financial period.

Statement of financial position

Total assets of the consolidated entity as at 30 June 2021 were \$452.7 million (31 December 2020: \$431.9 million).

The consolidated entity's Cash and Cash Equivalents as at 30 June 2021 were \$85.3 million (31 December 2020: \$75.0 million) and working capital, being Current Assets less Current Liabilities, was \$93.8 million (31 December 2020: \$84.1 million). The net increase in Cash and Cash Equivalents and working capital is a result of the net proceeds received from the Share Purchase Plan and issuance of the Convertible Note Series 3, offset by operating cash outflow from the Balama operation through suspended production prior to production restarting, and ongoing development of the Group's Vidalia project.

Current Trade and Other Receivables were higher at \$6.2 million as at 30 June 2021 (31 December 2020: \$1.9 million) with an increase in Trade Receivables to \$4.4 million as at 30 June 2021 (31 December 2020: \$0.6 million) and an increase in Prepayments to \$1.2 million (31 December 2020: \$0.5 million).

Inventories were \$20.2 million as at 30 June 2021 (31 December 2020: \$15.7 million).

Property, Plant and Equipment as at 30 June 2021 was \$168.4 million (31 December 2020: \$164.4 million), mainly due to depreciation of the assets during the interim financial period offset by the increase relating to capital expenditure for Balama Tailings Storage Facility Cell 2 and the capitalisation of costs associated with the development of Group's Vidalia Project.

Mining Assets decreased during the interim financial period to \$132.8 million as at 30 June 2021 (31 December 2020: \$134.2 million) mainly due to amortisation on Mining Assets of \$1.6 million.

Non-Current Trade and Other Receivables decreased during the interim financial period to \$12.8 million as at 30 June 2021 (31 December 2020: \$13.2 million) with the balance principally comprising Input Tax Credits (Value Added Tax) paid in Mozambique. An amount of \$0.6 million was recovered during the interim period (12 months to 31 December 2020: \$8.6 million), with a further \$0.5 million recovered subsequent to period end. The Group continues to engage with relevant authorities in Mozambique to progress the recovery process.

The consolidated entity had total liabilities of \$130.0 million as at 30 June 2021 (31 December 2020: \$99.2 million), which included Trade and Other Payables of \$15.7 million (31 December 2020: \$7.6 million); a provision for decommissioning and rehabilitation of Balama of \$13.4 million (31 December 2020: \$13.6 million); a provision for Balama community development of \$11.5 million (31 December 2020: \$11.3 million); Non-Current Borrowings for Convertible Notes of \$69.4 million (31 December 2020: \$47.5 million) and Lease Liabilities of \$16.5 million (31 December 2020: \$16.8 million).

Total equity of the consolidated entity as at 30 June 2021 was \$322.6 million (31 December 2020: \$332.8 million), with the reduction attributable to net comprehensive loss for the period of \$25.0 million, offset by a net increase of \$6.6 million in equity and reserves from shares issued under the Share Purchase Plan and share-based payment arrangements during the interim financial period.

Statement of cash flows

Cash flow from operating activities

Net cash outflow from operating activities during the interim financial period ended 30 June 2021 was \$15.8 million (2020: \$19.6 million) and principally consisted of receipts from the sale of natural graphite products, offset by payments relating to expenses from operating Balama, as well as corporate office, compliance and other employee benefits expenses.

Cash flow from investing activities

Net cash outflow from investing activities during the interim financial period ended 30 June 2021 was \$7.8 million (2020: \$5.9 million) and principally consisted of payments for development of Group's Vidalia Project and capital expenditure for Balama Tailings Storage Facility Cell 2.

Cash flow from financing activities

Net cash inflow from financing activities during the interim financial period ended 30 June 2021 was \$33.7 million (2020: net cash outflow \$1.4 million) principally consisted of net proceeds received from the Share Purchase Plan and issuance of the Convertible Note Series 3 offset by the payment of lease liabilities.

Significant changes in state of affairs

There were no other significant changes in the nature of activities or state of affairs of the consolidated entity during the half-year period other than those included in the review of operations.

Matters subsequent to the end of the interim financial period

No other event has occurred subsequent to 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the state of affairs in future financial periods.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Directors' Report and the Condensed Consolidated Financial Statements. Amounts in the Directors' Report and the Condensed Consolidated Financial Statements have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Shaun Verner
Managing Director

Melbourne, Australia
6 September 2021

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Auditor's Independence Declaration

As lead auditor for the review of Syrah Resources Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink, appearing to read 'Ben Gargett'.

Ben Gargett
Partner
PricewaterhouseCoopers

Melbourne
6 September 2021

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED 30 JUNE 2021

	NOTES	30 JUNE 2021 US\$'000	30 JUNE 2020 US\$'000
Revenue from continuing operations			
Revenue	3	8,935	7,433
Cost of sales	4	(22,435)	(24,713)
Gross profit / (loss)		(13,500)	(17,280)
Distribution costs	5	(1,883)	(2,504)
Administrative expenses	6	(4,966)	(3,160)
Other income / (expenses)		1,160	507
Write-down of inventories		(1,738)	(3,998)
Total expenses		(7,427)	(9,155)
Profit / (loss) before net finance income and income tax		(20,927)	(26,435)
Finance income		76	309
Finance expenses		(2,721)	(2,196)
Net finance income / (expense)		(2,645)	(1,887)
Profit / (loss) before income tax		(23,572)	(28,322)
Income tax benefit / (expense)	7	(1,378)	(382)
Loss after income tax for the half-year		(24,950)	(28,704)
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to the profit or loss</i>			
Exchange differences on translation of foreign subsidiaries	10(b)	10	(238)
Other comprehensive income/(loss) for the period, net of tax		10	(238)
Total comprehensive income / (loss) for the period		(24,940)	(28,942)
Total comprehensive income / (loss) for the period attributable to:			
- Equity holders of Syrah Resources Limited		(23,939)	(28,942)
- Non-controlling interest		(1,001)	-
		(24,940)	(28,942)
Loss per share for loss attributable to the owners of Syrah Resources Limited:		Cents	Cents
Basic loss per share		(4.84)	(6.93)
Diluted loss per share		(4.84)	(6.93)

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

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2021

	NOTES	30 JUNE 2021 US\$'000	31 December 2020 US\$'000
Assets			
Current assets			
Cash and cash equivalents	8(a)	85,270	74,992
Trade and other receivables	8(b)	6,222	1,937
Inventories	9(a)	20,211	15,737
Available-for-sale financial assets		292	299
Total current assets		111,995	92,965
Non-current assets			
Trade and other receivables	8(b)	12,848	13,248
Property, plant and equipment	9(c)	168,403	164,444
Mining assets	9(b)	132,834	134,208
Intangible assets		73	93
Deferred tax assets	9(d)	26,500	26,984
Total non-current assets		340,658	338,977
Total assets		452,653	431,942
Liabilities			
Current liabilities			
Trade and other payables	8(c)	14,305	6,588
Lease liabilities	8(d)	2,227	1,417
Provisions	9(e)	1,704	841
Total current liabilities		18,236	8,846
Non-current liabilities			
Trade and other payables	8(c)	1,414	985
Borrowings	8(e)	69,360	47,468
Lease liabilities	8(d)	14,282	15,354
Deferred tax liabilities	9(d)	2,832	1,938
Provisions	9(e)	23,880	24,559
Total non-current liabilities		111,768	90,304
Total liabilities		130,004	99,150
Net assets		322,649	332,792
Equity			
Issued capital	10(a)	619,193	604,920
Reserves	10(b)	(15,649)	(7,994)
Accumulated losses		(287,095)	(264,134)
Non-controlling interest	10(c)	6,200	-
Total equity		322,649	332,792

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR HALF-YEAR ENDED 30 JUNE 2021

	CONTRIBUTED EQUITY US\$'000	ACCUMULATED LOSSES US\$'000	NON- CONTROLLING INTEREST US\$'000	RESERVE US\$'000	TOTAL EQUITY US\$'000
Balance at 1 January 2021	604,920	(264,134)	-	(7,994)	332,792
Loss after income tax expense for the period attributable to owners of					
- Syrah Resources Limited	-	(23,949)	-	-	(23,949)
- Non-controlling interest	-	-	(1,001)	-	(1,001)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	10	10
Total comprehensive income/(loss) for the period	-	(23,949)	(1,001)	10	(24,940)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	13,510	-	-	-	13,510
Share-based payments	-	-	-	1,287	1,287
Transfers from share-based payment reserve					
- Issuance of 5% Non-controlling interest in subsidiary	-	-	7,201	(7,201)	-
- Issuance of shares	763	-	-	(763)	-
- Expired/lapsed options and performance rights	-	988	-	(988)	-
	14,273	988	7,201	(7,665)	14,797
Balance at 30 June 2021	619,193	(287,095)	6,200	(15,649)	322,649
Balance at 1 January 2020	563,694	(204,496)	-	(7,337)	351,861
Loss after income tax expense for the period attributable to owners of					
- Syrah Resources Limited	-	(28,704)	-	-	(28,704)
- Non-controlling interest	-	-	-	-	-
Other comprehensive income/(loss) for the period, net of tax	-	-	-	(238)	(238)
Total comprehensive income/(loss) for the period	-	(28,704)	-	(238)	(28,942)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	-	-	-	-	-
Share-based payments	-	-	-	711	711
Transfers from share-based payment reserve					
- Issuance of shares	391	-	-	(391)	-
- Expired/lapsed options and performance rights	-	1,225	-	(1,225)	-
	391	1,225	-	(905)	711
Balance at 30 June 2020	564,085	(231,975)	-	(8,480)	323,630

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE HALF-YEAR ENDED 30 JUNE 2021**

	NOTES	30 JUNE 2021 US\$'000	30 JUNE 2020 US\$'000
Cash flows from operating activities			
Receipts from customers		5,175	8,241
Payments to suppliers and employees (inclusive of goods and services tax)		(21,001)	(28,203)
Interest received		75	384
Net cash inflow/(outflow) from operating activities		(15,751)	(19,578)
Cash flows from investing activities			
Payments for property, plant and equipment		(7,525)	(5,861)
Payments for security deposits		(312)	-
Net cash inflow/(outflow) from investing activities		(7,837)	(5,861)
Cash flows from financing activities			
Proceeds from issue of shares		13,733	-
Proceeds from convertible note		21,051	-
Share issue transaction costs		(223)	-
Proceed from borrowings		-	187
Payment of borrowings		-	(92)
Payment for lease principal and interest		(824)	(1,481)
Net cash inflow/(outflow) from financing activities		33,737	(1,386)
Net (decrease)/increase in cash and cash equivalents		10,149	(26,825)
Cash and cash equivalents at the beginning of the half-year		74,992	80,577
Effects of exchange rate changes on cash and cash equivalents		129	(530)
Cash and cash equivalents at the end of the half-year	8(a)	85,270	53,222

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Syrah Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Level 28, 360 Collins Street, Melbourne, Victoria 3000. Its shares are listed on the Australian Securities Exchange (ASX: SYR).

NOTE 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2020 and any public announcements made by Syrah during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Significant accounting policies

The accounting policies, methods of computation and areas of critical accounting judgements, estimates and assumptions are the same as those adopted in the most recent Annual Financial Report for the year ended 31 December 2020 unless otherwise stated in this report.

No new or amended accounting standards and interpretations became applicable for the current reporting period which had an impact on the Group's accounting policies.

(c) Comparative figures

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

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

(d) Liquidity and capital management

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

As of 30 June 2021, the Group had a Cash and Cash Equivalents balance of \$85.3 million which it believes is sufficient to meet its obligations and continue its current business activities. Production successfully recommenced at Balama in March 2021, following an extended suspension period from March 2020 due to the impacts of COVID-19. Balama has reinstated its workforce to levels required for sustainable production and operations have demonstrated improving performance since restart. Operations are expected to generate positive cash flow as production volumes increase and based on expected product pricing.

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

NOTE 2. SEGMENT INFORMATION

(a) Description of segments

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

The Group primarily monitors performance according to the following segments:

Balama	Production, distribution, and sale of natural flake graphite from the Balama Graphite Operation in Mozambique.
Vidalia	Ongoing assessment and development of downstream Vidalia AAM opportunities for natural flake graphite including the development of a processing facility in the USA.
Corporate	Corporate administration and investing activities.

(b) Segment information provided to the Executive Management Team

	BALAMA US\$'000	VIDALIA US\$'000	CORPORATE US\$'000	CONSOLIDATED US\$'000
Half-year ended 30 June 2021				
Total segment revenue	8,961	-	-	8,961
Inter-segment revenue	(26)	-	-	(26)
Revenue from external customers	8,935	-	-	8,935
Total segment EBITDA	(12,239)	(149)	(3,577)	(15,965)
Half-year ended 30 June 2020				
Total segment revenue	7,433	-	-	7,433
Inter-segment revenue	-	-	-	-
Revenue from external customers	7,433	-	-	7,433
Total segment EBITDA	(18,830)	26	(2,350)	(21,154)
Total segment assets				
30 June 2021	299,784	66,882	85,987	452,653
31 December 2020	295,526	60,644	75,772	431,942
Total segment liabilities				
30 June 2021	(55,315)	(4,209)	(70,480)	(130,004)
31 December 2020	(47,285)	(2,374)	(49,491)	(99,150)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

NOTE 3. REVENUE

	30 JUNE 2021	30 JUNE 2020
	US\$'000	US\$'000
Revenue from external customers	8,935	7,433
Timing of revenue recognition		
- At a point in time – Product	8,108	6,411
- Over time – Freight	827	1,022

(a) Geographical information

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

	30 JUNE 2021	30 JUNE 2020
	US\$'000	US\$'000
Europe	3,085	4,041
Americas	1,821	1,150
China	3,612	814
Asia (excl China)	405	1,416
Other locations	12	12
	8,935	7,433

(b) Major customer information

Revenue from four major customers accounted for 70% of total segment revenue or \$6.3 million arising from the sale of natural graphite products on a CIF basis.

NOTE 4. COST OF SALES

	30 JUNE 2021	30 JUNE 2020
	US\$'000	US\$'000
Mining and production costs	18,160	17,314
Logistics costs	5,473	4,909
Government royalties	113	59
Depreciation and amortisation expense	4,947	4,886
Changes in inventories	(7,066)	(2,623)
Other costs	808	168
	22,435	24,713

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

NOTE 5. DISTRIBUTION COSTS

	30 JUNE 2021	30 JUNE 2020
	US\$'000	US\$'000
Shipping costs	1,075	1,297
Depreciation and amortisation	19	31
Other selling costs	789	1,176
	1,883	2,504

NOTE 6. ADMINISTRATIVE EXPENSES

	30 JUNE 2021	30 JUNE 2020
	US\$'000	US\$'000
<i>Employee benefits expense</i>		
Salaries and wages	1,684	1,332
Share-based payments	1,287	711
Employee entitlements	92	89
Defined contribution superannuation expense	117	115
Total employee benefits expenses	3,180	2,247
<i>Legal and consulting expenses</i>		
Legal expenses	152	59
Consulting expenses	892	524
Total legal and consulting expenses	1,044	583
Other administrative expenses	742	330
Total administrative expenses	4,966	3,160

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

NOTE 7. INCOME TAX EXPENSE

(a) Income tax expense

	30 JUNE 2021 US\$'000	30 JUNE 2020 US\$'000
Current tax expense	-	-
Deferred tax expense	1,378	382
Total tax expense/(benefit)	1,378	382
Deferred income tax		
(Increase)/decrease in deferred tax assets	484	382
Increase/(decrease) in deferred tax liabilities	894	-
Total deferred tax expense/(benefit)	1,378	382

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

	30 June 2021 US\$'000	30 June 2020 US\$'000
Loss before income tax expense from continuing operations	(23,572)	(28,322)
Tax at the Australian tax rate of 30% (30 June 2020: 30%)	(7,072)	(8,497)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	384	213
- Other non-deductible expenses	422	844
- Differences in overseas tax rate	392	357
- Movement in unrecognised temporary differences	162	(911)
- Current period taxation losses not recognised as deferred tax assets	5,235	6,986
- Other permanent differences	1,855	1,390
Income tax expense/(benefit)	1,378	382

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

NOTE 8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

	30 JUNE 2021	31 DECEMBER 2020
	US\$'000	US\$'000
Cash at bank and in hand	24,207	9,994
Deposits at call	61,063	64,998
Total cash and cash equivalents	85,270	74,992

Total cash and cash equivalents are held in trading accounts or term deposits with major financial institutions under normal terms and conditions appropriate to the operation of the accounts. These deposits earn interest at rates set by these institutions. As at 30 June 2021 the weighted average interest rate on current accounts and term deposits was 0.23% (31 December 2020: 0.22%).

(b) Trade and other receivables

	30 JUNE 2021	31 DECEMBER 2020
	US\$'000	US\$'000
Current		
Trade receivables	4,371	611
Prepayments	1,152	500
Other receivables	677	662
Input tax credits	22	164
Total current trade and other receivables	6,222	1,937
Non-current		
Input tax credits	6,189	6,784
Security deposits ⁽¹⁾	6,659	6,464
Total non-current trade and other receivables	12,848	13,248

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

(c) Trade and other payables

	30 JUNE 2021	31 DECEMBER 2020
	US\$'000	US\$'000
Current		
Trade payables and accruals	13,157	5,448
Other payables	1,148	1,140
Total current trade and other payables	14,305	6,588
Non-current		
Trade payables and accruals	1,414	985
Total non-current trade and other payables	1,414	985

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

NOTE 8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(d) Lease liabilities

	30 JUNE 2021	31 DECEMBER 2020
	US\$'000	US\$'000
Current	2,227	1,417
Non-current	14,282	15,354
Total lease liabilities	16,509	16,771

(e) Borrowings

	30 JUNE 2021	31 DECEMBER 2020
	US\$'000	US\$'000
Non-current borrowings		
Initial face value of Convertible Notes ⁽¹⁾ issued	60,143	39,093
Capitalised to principal outstanding		
- Interest expense	6,126	4,234
- Transaction costs	1,203	782
Deferred transaction costs	(921)	(584)
Exchange differences	2,809	3,943
Total Convertible Notes	69,360	47,468

⁽¹⁾ Syrah Resources Limited issued a 5-year unsecured A\$55.8 million Convertible Note Series 1 in October 2019 and A\$28.0 million Convertible Note Series 3 in June 2021 to AustralianSuper Pty Ltd as Trustee for AustralianSuper. Under the terms of the Convertible 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 total of A\$1.7 million transaction costs related to the issuance of the Convertible Notes which were capitalised when the Notes were issued and are amortised to Finance Expense over the term of the Convertible Notes.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

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

(a) Inventories

	30 JUNE 2021	31 DECEMBER 2020
	US\$'000	US\$'000
Stores and materials	13,317	14,149
Ore stockpile	89	-
Work in progress	6	-
Finished goods	6,799	1,588
	20,211	15,737

Inventory write-down

Write-down of inventories to net realisable value totaled \$1.7 million in the interim period (31 December 2020: \$2.6 million) and were recognised as an expense in the statement of comprehensive income.

(b) Mining assets

	30 JUNE 2021	31 DECEMBER 2020
	US\$'000	US\$'000
Exploration and evaluation	1,310	1,311
Mine properties and development	131,524	132,897
Total mining assets	132,834	134,208

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

	EXPLORATION AND EVALUATION US\$'000	MINE PROPERTIES AND DEVELOPMENT US\$'000	TOTAL US\$'000
At 1 January 2021			
Cost	1,311	136,484	137,795
Accumulated depreciation and impairment	-	(3,587)	(3,587)
Net book amount	1,311	132,897	134,208
6 months to 30 June 2021			
Balance at beginning of period	1,311	132,897	134,208
Additions	-	340	340
Change in rehabilitation estimate	-	(157)	(157)
Amortisation expenses	-	(1,556)	(1,556)
Exchange differences	(1)	-	(1)
Balance at end of period	1,310	131,524	132,834

Exploration and evaluation

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

Mine properties and development

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

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

(c) Property, Plant and Equipment

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	COMPUTER EQUIPMENT	ASSETS UNDER CONSTRUCTION	RIGHT-OF- USE ASSETS	TOTAL
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2021						
Cost	15,024	119,380	924	67,969	18,680	221,977
Accumulated depreciation and impairment	(5,390)	(46,378)	(447)	-	(5,318)	(57,533)
Net book amount	9,634	73,002	477	67,969	13,362	164,444
For the half year ended 30 June 2021						
Balance at beginning of period	9,634	73,002	477	67,969	13,362	164,444
Additions	-	3,695	12	4,075	-	7,782
Depreciation charge	(184)	(2,056)	(63)	-	(1,256)	(3,559)
Exchange differences	-	(1)	(1)	(261)	(1)	(264)
Balance at end of period	9,450	74,640	425	71,783	12,105	168,403
At 30 June 2021						
Cost	15,024	123,069	933	71,783	18,662	229,471
Accumulated depreciation and impairment	(5,574)	(48,429)	(508)	-	(6,557)	(61,068)
Net book amount	9,450	74,640	425	71,783	12,105	168,403

Assets under construction

Assets Under Construction as at 30 June 2021 consists of capitalised project and product development costs for the downstream Vidalia project of \$66.9 million and capital costs for Balama of \$4.9 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

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

(d) Deferred tax balances

	30 JUNE 2021 US\$'000	31 DECEMBER 2020 US\$'000
<i>The balance comprises temporary differences attributable to:</i>		
<i>Deferred tax assets</i>		
Taxation losses ⁽¹⁾	2,302	2,302
Mining assets	24,198	24,682
Total deferred tax assets	26,500	26,984
<i>Deferred tax liabilities</i>		
Non-financial assets	(2,832)	(1,938)
Total deferred tax liabilities	(2,832)	(1,938)
Net deferred tax assets/(liabilities)	23,668	25,046

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

Movements in deferred tax balances

	BALANCE AT 1 JANUARY 2021 US\$'000	(CHARGED)/ CREDITED TO PROFIT OR LOSS US\$'000	BALANCE AT 30 JUNE 2021 US\$'000
<i>Deferred tax assets</i>			
Taxation losses	2,302	-	2,302
Mining assets	24,682	(484)	24,198
Total deferred tax assets	26,984	(484)	26,500
<i>Deferred tax liabilities</i>			
Non-financial assets	(1,938)	(894)	(2,832)
Total deferred tax liabilities	(1,938)	(894)	(2,832)
Net deferred tax assets/(liabilities)	25,046	(1,378)	23,668

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

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

(e) Provisions

	30 JUNE 2021 US\$'000	31 DECEMBER 2020 US\$'000
Current		
Employee benefits	553	522
Other current provisions ⁽¹⁾	1,151	319
	1,704	841
Non-current		
Employee benefits	82	79
Decommissioning and restoration	13,448	13,590
Other non-current provisions ⁽¹⁾	10,350	10,890
	23,880	24,559

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

Movements in decommissioning and restoration provision

	6 MONTHS TO 30 JUNE 2021 US\$'000
Balance at beginning of period	13,590
Additional provisions:	
- Change in rehabilitation provision	(157)
- Unwind of discount	15
Balance at end of period	13,448

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 10. EQUITY

(a) Issued Capital

	30 JUNE 2021 SHARES	31 DECEMBER 2020 SHARES	30 JUNE 2021 US\$'000	31 DECEMBER 2020 US\$'000
Issued and fully paid ordinary shares	498,211,473	477,087,059	619,193	604,920
	<u>498,211,473</u>	<u>477,087,059</u>	<u>619,193</u>	<u>604,920</u>

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

	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUED PRICE (A\$)	US\$'000
6 months to 30 June 2021			
Balance at beginning of period	477,087,059		604,920
Issue of new shares:			
- Share purchase plan	20,004,155	AUD 0.90	13,733
- Equity-settled remuneration	1,120,259	- ⁽¹⁾	-
Transfers from share-based payment reserved ⁽²⁾	-		763
Capital raising costs	-		(223)
Balance at end of period	<u>498,211,473</u>		<u>619,193</u>

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

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

(b) Reserves

	30 JUNE 2021 US\$'000	31 DECEMBER 2020 US\$'000
Foreign currency translation reserve	(18,370)	(18,380)
Share-based payments reserve	2,721	10,386
	<u>(15,649)</u>	<u>(7,994)</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

NOTE 10. EQUITY (CONTINUED)

(b) Reserves (Continued)

(i) Movements in reserves

Movements in each class of reserve are set out below:

	FOREIGN CURRENCY RESERVE US\$'000	SHARE-BASED PAYMENTS RESERVE US\$'000	TOTAL US\$'000
6 months to 30 June 2021			
Balance at beginning of period	(18,380)	10,386	(7,994)
Foreign currency translation	10	-	10
Share-based payments	-	1,287	1,287
Issuance of 5% Non-controlling interest in subsidiary	-	(7,201)	(7,201)
Issuance of shares	-	(763)	(763)
Transfer of expired/lapsed options and performance rights	-	(988)	(988)
Balance at end of period	(18,370)	2,721	(15,649)

(ii) Nature and purpose of reserves

Foreign currency reserve

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

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

Share-based payments reserve

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

(c) Non-controlling Interest

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 11. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) Capital expenditure commitments

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

	30 JUNE 2021 US\$'000	31 DECEMBER 2020 US\$'000
Property, plant and equipment	11,278	1,278
Total capital commitments	11,278	1,278

The above capital expenditure commitments are in relation to the continued development of Balama in Mozambique (mainly relates to Tailings Storage Facility cell 2) and the development of Group's downstream Vidalia project.

(b) Contingencies

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

(c) Guarantees

Bank guarantees have been provided by Twigg Exploration and Mining Limitada, which unconditionally and irrevocably guarantee in favor of the Ministry of Mineral Resources and Energy (MIREME) in Mozambique, the due and punctual payment of amounts up to a maximum amount of MZN466.97 million (US\$6.2 million) as at 30 June 2021 (31 December 2020: MZN466.97 million (US\$6.2 million)) in relation to the rehabilitation or removal of project infrastructure as per the mine closure plan for Balama.

A parent company guarantee has been issued by Syrah Resources Limited in favour of the Government of Mozambique, which unconditionally and irrevocably guarantees amounts up to a maximum of US\$22.5 million to cover any loss or damage or other costs arising out of, or associated with, a breach of the Mining Concession held by Twigg Exploration and Mining Limitada. This guarantee expired prior to end of this reporting period, although a formal release of the guarantee by the Government of Mozambique has not yet been received.

NOTE 12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No other event has occurred subsequent to 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the state of affairs in future financial periods.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 6 to 24 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year financial period ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Shaun Verner
Managing Director

Melbourne, Australia
6 September 2021



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Syrah Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed Consolidated Balance Sheet as at 30 June 2021, the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Syrah Resources Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Ben Garrett'.

Ben Garrett
Partner

Melbourne
6 September 2021

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