



Syrah Resources Limited

# Annual Report 2008

## Corporate Directory

### Directors

Tom Eadie - Chairman  
Alistair Campbell - Managing Director  
Terry Lees - Exploration Director

### Company Secretary

David Ogg

### Registered & Principal Office

Level 9, 356 Collins Street  
Melbourne Vic 3000  
Telephone: (03) 9670 7264  
Facsimile: (03) 9642 0698  
Website: [www.syrahresources.com.au](http://www.syrahresources.com.au)

### Auditor

Leydin Freyer Corporate Pty Ltd  
Chartered Accountants  
Suite 304, 22 St Kilda Road  
St Kilda Vic 3182

### Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
Telephone: (08) 9315 2333  
Facsimile: (08) 9315 2233

### Solicitors

Middletons  
Level 25, Rialto  
525 Collins Street  
Melbourne Vic 3000

Baker & McKenzie  
Level 39, Rialto  
525 Collins Street  
Melbourne Vic 3000

## Fast Facts

### Issued Capital:

30.0m shares  
2.5m unlisted options  
Share price \$0.09 (30 June 08)

### Key Shareholders:

Copper Strike Ltd	30.00%
Transcontinental Investments Pty Ltd	14.87%
Royalco Resources Ltd	5.00%

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# Chairman's Report

Syrah Resources debuted on the Australian Stock Exchange on 11 September 2007 after successfully raising \$4.2 million in an Initial Public Offering. We thank all shareholders for your support during a difficult year in the sharemarket.

The Company has a portfolio of Australian exploration projects holding strong potential for precious and base metals discoveries. Our first year of project activity has been focused on developing our understanding of the geology and potential of these properties, and conducting initial drill testing of the most advanced prospects. In April/May 2008 inaugural drilling campaigns were conducted at the Lyndhurst Project in the north Flinders Ranges, South Australia and at the Levuka Project near Cloncurry in NW Queensland.

Excellent copper intercepts were obtained at the White Lead prospect at Lyndhurst. Wide intersections of near-surface oxide mineralisation containing economic grades of copper were hit in a campaign of seven drill holes adjacent to historical workings. Because the target horizon at White Lead is up to 4 km in length, we look forward to further drilling to test the scale and continuity of this mineralisation in the second half of 2008.

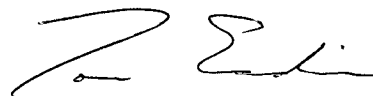
Three drill holes were completed at the Boanda Prospect in the Levuka tenement in NW Queensland. Unfortunately only minor anomalous results resulted from this campaign. The prospectivity of the Levuka Shear that runs through Levuka and our tenement application to the south remains high and Syrah is working to develop new geophysical targets for testing in early 2009.

At Archie Mackenzie, also in NW Queensland, Syrah has completed a soil geochemistry sampling program and applied the ionic leach assay method to assist with drill target definition. Further studies involving geophysical, structural and stratigraphic interpretations are aimed at developing targets for drilling in 2009.

Several mapping and sampling programs have been conducted at Munna in central Queensland to improve the understanding of the geology. In response to some identified potential that continued off the tenement, the Munna West tenement was applied for and has been granted by the Queensland government.

As a key part of our growth strategy, Syrah Resources is pursuing the acquisition of an advanced resource project. During the year we reviewed data for a large number of Australian and overseas projects. The Company remains committed to expending a large amount of time and effort to this strategy, and is convinced that it has a good chance of success.

The Company enters the new financial year in a well-funded position with exciting prospects and optimism for the year ahead. I would like to thank the Board, staff and contractors for their commitment and effort during the year.



**Tom Eadie**  
Chairman



# Report on Activities

## Overview

The 2007/2008 financial year was a formative year for Syrah Resources. As a newly established company, the successful fund raising and Australian Stock Exchange listing provided the financial capability to commence exploration activity.

Syrah conducted inaugural drilling campaigns at the Mt Lyndhurst and Levuka projects in April/May 2008. At the Archie-Mackenzie and Munna projects, the Company's activities have involved review of available geological and geophysical data, field reconnaissance and sampling programs to develop future drill targets. Where the lithologies are hidden under cover such as at Levuka and Archie-Mackenzie, specialist consultants have been engaged to review, analyse and interpret existing geophysical data to improve geological understanding and define targets for consideration in future drill programs.

The drilling campaign at the White Lead Prospect at Lyndhurst, South Australia in April 2008 gave some highly encouraging copper intercepts. A seven hole program identified near surface oxide copper mineralisation along a 250m strike of the White Lead lode. This prospective stratigraphy has a strike length of 4km and will be tested further in the second half of 2008.

The Company has put significant time and energy into seeking a joint venture or acquisition of an advanced resource asset. Syrah remains committed to this strategy and will continue to review new projects.

## Project Locations



## Mt Lyndhurst Project

The Mt Lyndhurst Project comprises two exploration licences (ELs) located approximately 50km northeast of Leigh Creek in the northern Flinders Ranges. The licences, Mt Lyndhurst and Mt Lyndhurst South, cover a total area of 842km<sup>2</sup>.

Syrah conducted an extensive review of open file data relating to the many historical workings associated with occurrences of copper mineralisation throughout the licences. Numerous field reconnaissance visits were completed to rank prospects of highest potential.

Syrah completed a RC drilling program at the White Lead prospect in April 2008 with highly encouraging results. A seven hole program at 50m line spacing tested for copper mineralisation along the strike of the White Lead lode. The area tested has shallow historical workings at surface and anomalous copper values based on drilling conducted in the 1980's, at a time when copper prices were much lower than today.

The White Lead drilling program provided strong copper intercepts that suggest economic potential may exist at the project. Best results were recorded in the central part of the target area, including drill holes WLDH002, WLDH003 and WLDH006.

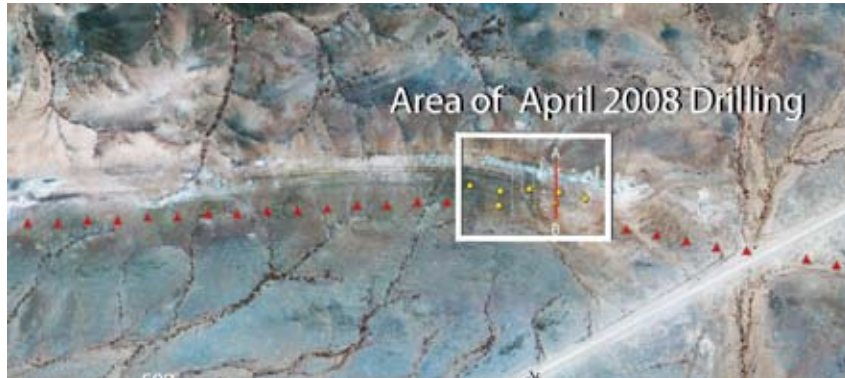
WLDH002: 26m @ 0.87% Cu, including 8m @ 1.69% Cu

WLDH003: 18m @ 0.91% Cu, including 10m @ 1.29% Cu

WLDH006: 30m @ 0.80% Cu, including 12m @ 1.61% Cu

The drill results showed that high grade copper is not restricted to the prospective contact zone that hosts the White Lead lode. The highest copper grades in drill holes WLDH002, WLDH003 and WLDH006 were found to be present in the overlying siltstone unit.

The copper occurs as secondary mineralisation in quartz veins, joints and fractures within the host rocks. Copper minerals included malachite (oxide) and chalcocite (sulphide), which are typical of near-surface supergene enrichment. The mineralisation is within 40m of surface and is open along strike to the east and west.



Layout for August 2008 drilling program to further test the White Lead prospect, Lyndhurst

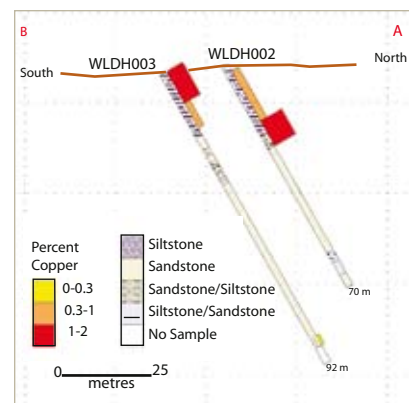
The prospective White Lead stratigraphy has a large number of historical workings and anomalous copper mineralisation over a strike length of approximately 4 kilometres, which shows that there is strong potential for extensions to the known oxide mineralisation. Additional drilling will occur to test the scale and continuity of the mineralisation.

An intended drilling campaign at the Stones Claim prospect was postponed when cultural heritage clearances were not able to be obtained. Syrah has commenced preparations to appeal this decision with the Adnyamathanha Native Title Claim Group.

The Lyndhurst and Lyndhurst South tenements are host to many historical copper mines. Syrah conducted field assessments and sampling of the Paulls Consolidated, Mt Burr, Federal and Great Mt Lyndhurst mines as part of an ongoing evaluation process.



Drill sample bags, White Lead RC drilling campaign April 2008



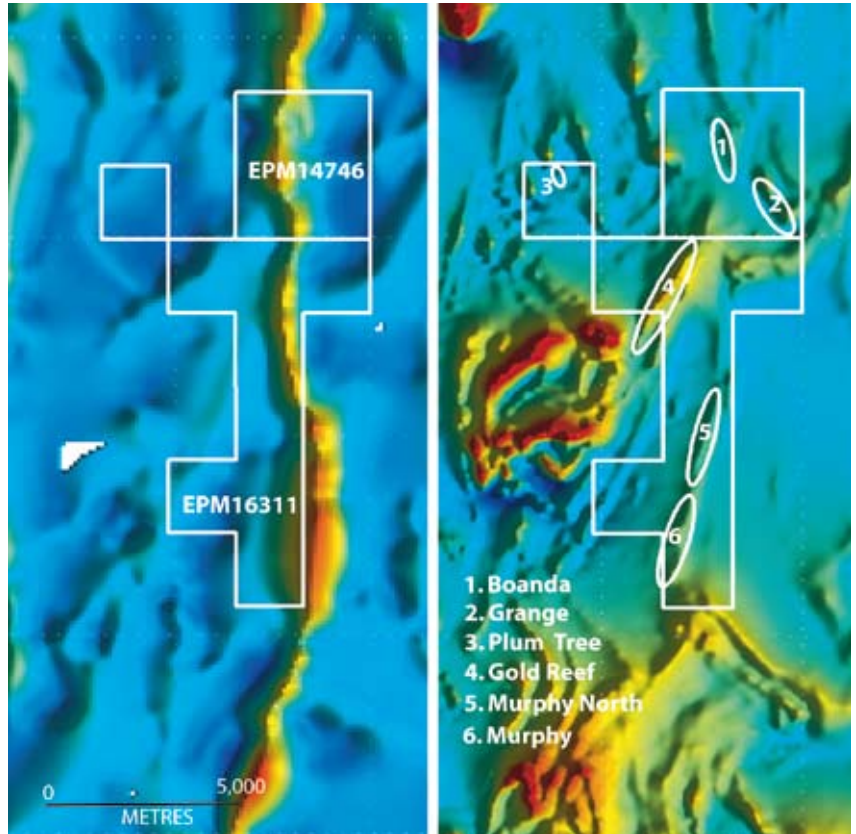
Drill cross section E266683 at White Lead

## Levuka Project

The Levuka Project comprises two exploration permits located approximately 65km southeast of Cloncurry and 15km south of the Eloise copper mine. The permits, Levuka (EPM 14746) and the Levuka South Application (EPMA 16311), cover a total area of 42km<sup>2</sup>.

A diamond drilling program was conducted at the Boanda Prospect in early April 2008. Three diamond drill holes were completed for a total of 858m. The drilling was conducted as a follow up to Cu-Au mineralisation recorded by Shell Billiton during their 1991 drilling program. The Syrah drilling program targeted down-dip and along-strike extensions of the mineralisation. Low assay results were recorded in all three drill holes.

A geophysical and structural review of the Levuka and Levuka South tenements was conducted to identify new drill targets. The potential drilling targets identified in these studies will be reviewed and ranked with the aim of conducting a second drill campaign in 2009.



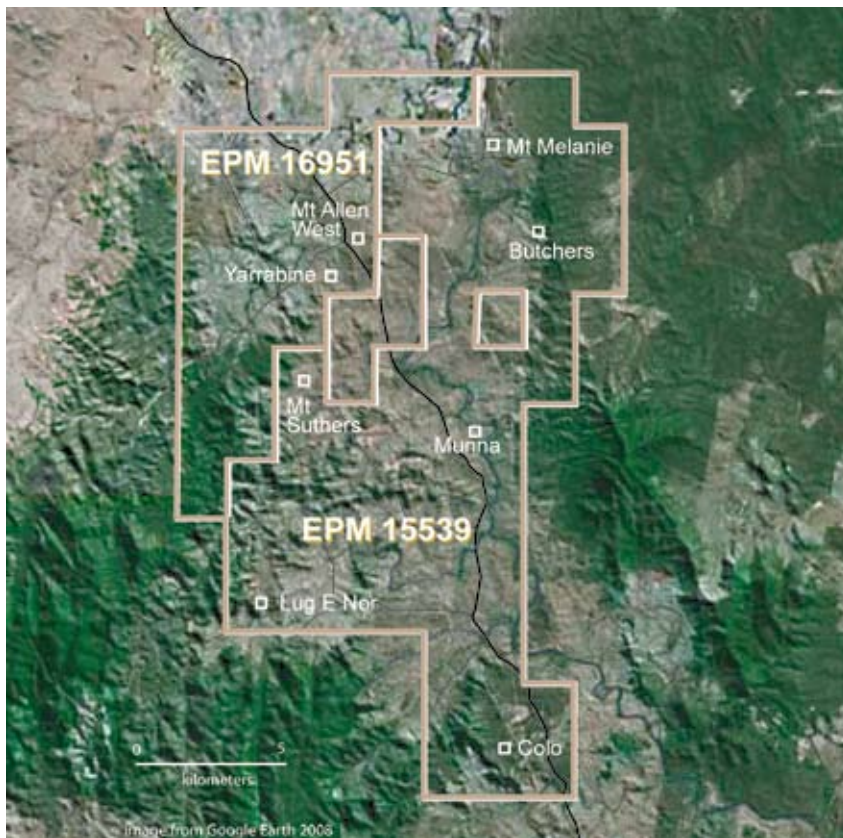
a) Structural analysis showing the Levuka Shear as a major lineament through the Levuka Project;  
b) Interpreted significant anomalies identified by aeromagnetic survey



Drill core cutting, Levuka drill campaign



Diamond drill rig, Levuka



Munna and Munna West tenement and prospect location plan

## Munna Project

The Munna Project comprises two exploration permits located approximately 200km northwest of Brisbane. The properties are Munna (EPM 15539) and Munna West (EPM 16951) which cover a total area of 237km<sup>2</sup>.

Syrah applied for and was granted the Munna West tenement during the year as a result of the Company's interest in an area of IP anomalism defined by BHP in 1981. BHP reported a number of IP anomalies in a north-south direction from Mt Suthers to Kolbar. The IP anomalies are commonly coincident with areas described by BHP in historical reports as 'more intense magnetic sub-zones'. Syrah conducted geological mapping, rock chip and soil sampling to test the IP anomalies at selected locations, with the result that the Yarrabine, Mt Suthers North and Mt Allen West prospects have been generated. Further follow up field work is required before these prospects are drill tested.



Syrah Exploration Manager, David Louvrens, at the Butchers prospect



Copper mineralisation, Munna



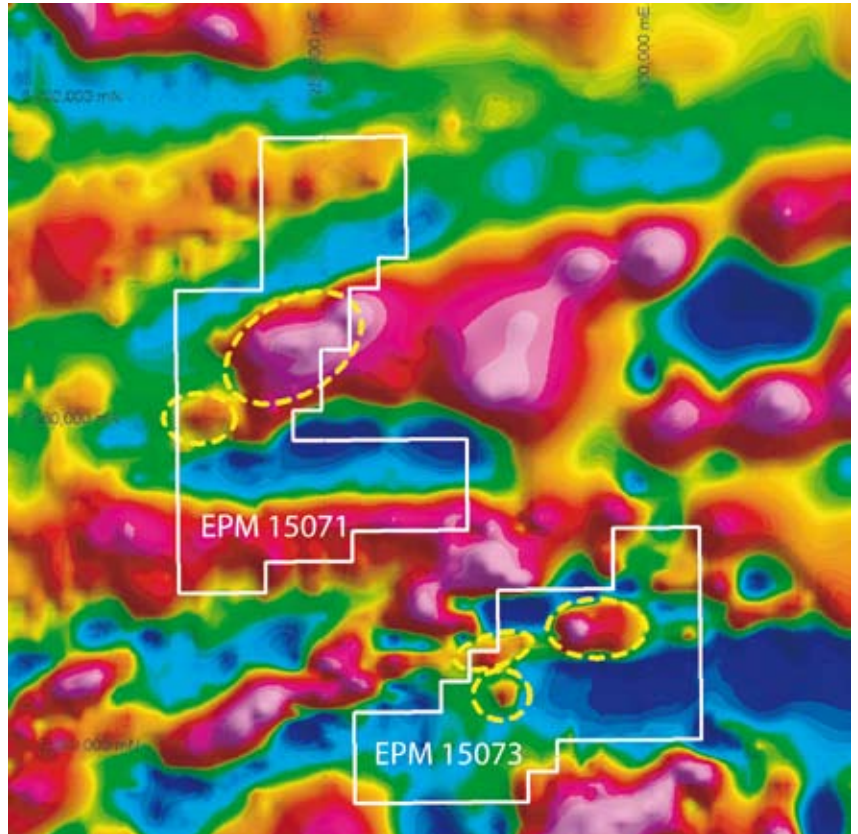
## Report on Activity Continued

### Archie-Mackenzie Project

The Archie-Mackenzie Project comprises two EPMS located approximately 50km north of the Century zinc mine in the Mt Isa Inlier. The tenements are Archie (EPM 15073) and Mackenzie (EPM 15071) which cover a total area of 491km<sup>2</sup>.

A soil geochemistry sampling program was conducted at the Archie-Mackenzie project area in May 2008. Part of the survey was conducted in an area of apparent zinc anomalism recorded by a previous explorer in the 1990's. Syrah analysed the samples using the Ionic Lead method, but the assay results did not replicate the previous elevated zinc values, thus downgrading the anomaly.

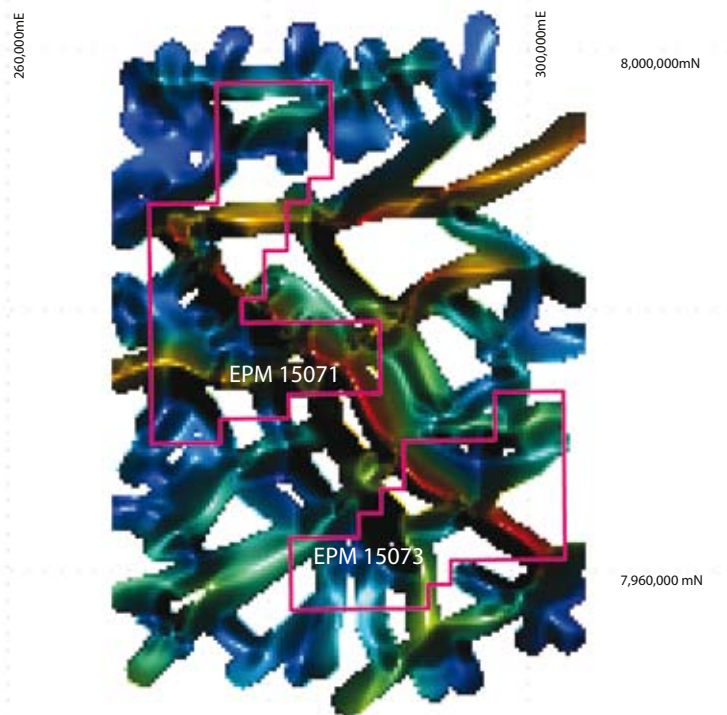
A geophysical/structural interpretation of the Archie-Mackenzie project area was completed in May 2008 with a number of drill-ready targets generated. Syrah will commission further structural analysis and stratigraphic interpretation before committing to an initial drill program at Archie-Mackenzie post wet season in 2009.



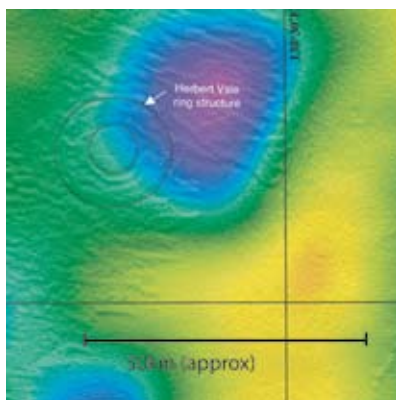
Residual gravity image over EPM's 15071 and 15073



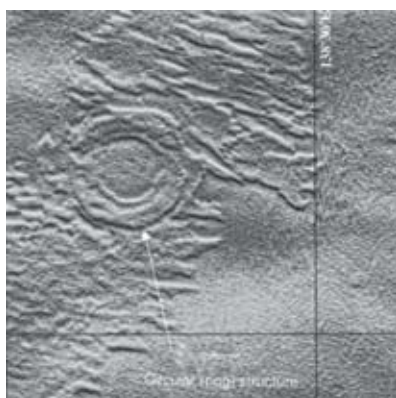
Gregory River, to the east of the Archie tenement



Interpretation of gravity gradient data to delineate major structural architecture of the Archie-Mackenzie project area



Aeromagnetic map of the Norfolk project area



Aeromagnetic image, first vertical derivative of the circular ring feature, Norfolk Project

## Norfolk Project

The Norfolk Project comprises three EPM Applications located 60km southwest of Century zinc mine in the Mt Isa Inlier. The tenements, Norfolk East (EPMA 16465), Norfolk West (EPMA 16467) and Norfolk South (EPMA 16466), cover a total area of 761km<sup>2</sup>.

The tenement applications have attained the required environmental permits and cleared the Native Title objection period without notification. The Queensland Department of Mines has informed Syrah that there are no impediments and the application will now proceed to grant.

The Norfolk project area contains the 20km diameter 'Camooweal' structure which will be explored for potential mineralisation. This is believed to be a meteorite impact crater. Extraterrestrial impact events have been known to be responsible for large mineral deposits such as the Sudbury nickel mines.

## Project Assessment - Advanced Resources

Syrah has actively pursued the acquisition or joint venture of an advanced resource project both within Australia and internationally since listing. In January 2008 Syrah negotiated an option to purchase the White Dam Gold Project in South Australia from Exco Resources, however decided to withdraw from the deal after conducting detailed

due diligence. The Company remains committed to this strategy in addition to conducting ongoing exploration at its current exploration projects.

## Occupational Health and Safety

No injuries were sustained by employees or contractors during the course of the Company's activities during the year. The Company has instituted an OH&S system appropriate for our activities and will continue to develop and improve this system on an ongoing basis.

## Environment and Sustainability

The Company's activities to date have been relatively low impact. Drill sites have been rehabilitated shortly after cessation of drilling in accordance with the Company's Exploration Code of Conduct.

## Cultural Heritage

Cultural Heritage clearances were obtained from the Adnyamathanha Native Title Claim Group for the drilling campaign at White Lead and from the Mitakoodi Native Title Claim Group at Levuka for the drilling at the Boanda Prospect. In line with a request from the Adnyamathanha people representatives, a proposed drilling program at the Stones Claim prospect was postponed.

## Schedule of mining and exploration tenements as at 30 June 2008

Project Name	Locality	Tenement	Equity
Mackenzie	NW Queensland	Exploration Permit for Minerals 15071	100%
Archie	NW Queensland	Exploration Permit for Minerals 15073	100%
Munna	SE Queensland	Exploration Permit for Minerals 15539	100%
Munna West	SE Queensland	Exploration Permit for Minerals 16951	100%
Levuka	NW Queensland	Exploration Permit for Minerals 14746	100%
Levuka South	NW Queensland	Application for Exploration Permit 16311	100%
Lyndhurst	South Australia	Exploration Licence 3522	100%
Lyndhurst South	South Australia	Exploration Licence 3550	100%
Norfolk East	NW Queensland	Application for Exploration Permit 16465	100%
Norfolk South	NW Queensland	Application for Exploration Permit 16466	100%
Norfolk West	NW Queensland	Application for Exploration Permit 16467	100%



# Directors' Report

The Directors of Syrah Resources Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### **MRTOM EADIE**

*Chairman*

B.Sc. (Hons), M.Sc., F.AusIMM, SA Fin

#### **Experience**

Tom Eadie is the Executive Chairman and Managing Director of Copper Strike Limited, a successful, ASX-listed, base metal explorer in eastern Australia. In addition he is a Director of Royalco Resources Limited, a specialist exploration company in the Philippines as well as the holder of numerous royalty interests.

Prior to these roles, Tom had twenty years of experience within the junior resources sector, including one year running Austminex NL, and at technical to senior executive levels with major mining companies including Pasminco, Aberfoyle Resources and Cominco. At Pasminco, he was Executive General Manager – Exploration & Technology for 11 years. At Aberfoyle, he began as Chief Geophysicist before being put in charge of all mineral sands and base metal exploration. He is a past board member of the Australasian Institute of Mining and Metallurgy and the Australian Mineral Industry Research Association.

Tom has a B.Sc. (Hons) from the University of British Columbia, a M.Sc. in Physics (Geophysics) from the University of Toronto and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia (now the Financial Services Institute of Australasia).

#### **Directorships in listed entities**

Royalco Resources Limited  
Copper Strike Limited

#### **Relevant interests in shares and options**

10,700,005 ordinary fully paid shares  
500,000 options expiring 31 July 2012  
exercisable at \$0.25

### **MR ALISTAIR CAMPBELL**

*Managing Director*

BEng(Mining), GDipAppFin, MAusIMM

#### **Experience**

Alistair Campbell is a mining engineer with 26 years mining industry experience. Alistair was the founding Director of Austgold Mine Consulting Pty Ltd, a successful mining consultancy for 7 years.

Prior to this, Alistair had 18 years of industry experience with Ross Mining NL, Barrack Mines Ltd and Western Mining Corporation Ltd across a diverse range of roles up to Resident Manager and General Manager level. Alistair holds Mine Manager Certificates for both WA and Qld.

Alistair has broad experience across open cut and underground metalliferous mining projects ranging from direct management of mining operations to an extensive range of scoping and feasibility studies and due diligence assessments. This strong background in project evaluation will be drawn upon by Syrah Resources as a strategy to pursue projects that hold potential for early mine development.

Alistair has a B.Eng (Mining) from Curtin University (WA School of Mines), a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia (now the Financial Services Institute of Australasia), and a Graduate Diploma in Business Administration from Curtin University.

#### **Directorships in listed entities**

Nil

#### **Relevant interests in shares and options**

225,000 ordinary fully paid shares  
1,000,000 options expiring 31 July 2012,  
exercisable at \$0.25

### **MR TERRY LEES**

*Exploration Director*

B.App.Sc. (Geol), M.Sc. (Geol), M. Env., FAIG

#### **Experience**

Terry Lees is the Exploration Manager for Copper Strike Limited. Prior to this role, Terry had over 20 years experience in exploration and mine geology, much of this with a lead-zinc and copper-gold focus and exposure to diverse geological terrains. Expertise includes management of exploration teams and programs, risk analysis in exploration and development, and extensive knowledge of global mineral deposits. Terry spent nearly 3 years in academic research into mineral deposits, at Melbourne and Monash Universities, principally with the predictive mineral deposits Co-operative Research Centre. This involved extensive research on ore deposits and geology, including roles as Program Coordinator and Senior Research Fellow.

Terry has an Applied Geology degree from RMIT, Masters degrees in Geology (University of Tasmania) and Environment (University of Melbourne), and is a Fellow of the Australian Institute of Geoscientists.

#### **Directorships in listed entities**

Nil

#### **Relevant interests in shares and options**

60,000 ordinary fully paid shares  
500,000 options expiring 31 July 2012,  
exercisable at \$0.25.

## Principal Activities

The principal activities of the Company are the exploration and evaluation of mineral resources.

## Operation Results

The Company's net loss for the year after applicable income tax was \$1,295,354 (2007: \$Nil).

## Review Of Operations

Refer to the Review of Operations preceding this Directors' Report.

## Financial Position

The net assets of the Company have increased to \$4,612,050 as at 30 June 2008. The major movements were due to the IPO fund raising associated with the ASX listing on 11 September 2007 and expenditure on exploration and evaluation of mineral resources.

The Company's working capital, being current assets less current liabilities was \$2,820,048 compared with working capital of \$1 in 2007.

As a result of the above, the Directors believe the Company is in a strong and stable position to expand and grow its current operations.

## Changes In State Of Affairs

During the financial year the Company raised \$4,200,000 before costs through the issue of fully paid ordinary shares and listed on the ASX.

## Future Developments

Disclosure of further information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

## Events Subsequent To Balance Date

There has not been any matter or circumstance, other than that referred to in Note 24 that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## Dividends

No dividend has been declared or paid during the financial year and the Directors do not recommend the payment of any dividend in respect of the current or preceding financial years.

## Environmental Regulations

The Company holds participating interests in a number of mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2008.

## Share Options

Share options granted to Directors and Executives or their nominees during and since the end of the financial year:

	Number of Options granted	Exercise Price of Options \$	Expiry Date of Options
<b>Directors</b>			
Mr T Eadie	500,000	0.25	31/07/2012
Mr A Campbell	1,000,000	0.25	31/07/2012
Mr T Lees	500,000	0.25	31/07/2012
<b>Executives</b>			
Mr D Ogg	250,000	0.25	31/07/2012
Mr D Louwrens	250,000	0.25	31/07/2012

## Share options on issue at year end or exercised during the year

Details of unissued ordinary shares of the Company under option at the date of this report are as follows:

Item	Number of Shares under option	Exercise Price of Options	Expiry Date of Options
Unlisted Options	2,500,000	\$0.25	31 July 2012

During the year and up to the date of this report 2,500,000 options were issued, and no options were exercised. At 30 June 2008, 2,500,000 options were on issue. Refer to the notes to the financial statements for details and valuation of options granted.

## Proceedings On Behalf Of The Company

No person has applied for leave of the Court under Section 327 of the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any proceedings during the year.

## Directors' Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. During the financial year, 8 Board meetings were held and 3 audit committee meetings were held. There is no separate remuneration or nomination committees.

Directors	Board Of Directors		Audit Committee	
	Held	Attended	Held	Attended
Mr T Eadie	8	8	3	3
Mr A Campbell	8	8	-	-
Mr T Lees	8	7	3	3

## Indemnification Of Officers And Auditors

The Company has agreed to indemnify the Directors and Company Secretary against any liability incurred for and on behalf of the Company, including costs and expenses in successfully defending legal proceedings. The Company has not, however, agreed to pay a premium in respect of a contract insuring against a liability for the costs and expenses to defend legal proceedings.

## Non-Audit Services

The Directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

The non-audit services provided by the Company's auditor during the year to June 2008 are as follows:

Independent Accountants Report      \$8,000

## Auditor's Independence Declaration

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the audit of the full year is included on page 16.

## Remuneration Report (Audited)

**This report outlines the remuneration arrangements in place for Directors and Executives of Syrah Resources Limited (the "Company").**

The Board policy for determining the nature and amount of remuneration for Directors and Executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

### Remuneration Philosophy

The remuneration philosophy of the Company has been designed to align Director and Executive objectives with shareholder and business objectives by providing both a fixed and variable remuneration component and offering long-term incentives based on key performance areas through the Company employee share option plan (ESOP). All options are issued under this ESOP. The Board believes the remuneration policy, to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

### Executive Director Remuneration

In determining the level and make-up of Executive remuneration, the Board negotiates remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as appropriate.

All Executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information), fringe benefits, options, and performance incentives. The Board reviews the Managing Director's remuneration package and the Managing Director reviews the senior Executives' remuneration packages annually by reference to the Company's performance, Executive performance and comparable information within the industry.

The performance of Executives is measured against criteria agreed annually with each Executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the Managing Director's recommendations. This policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors, Executives, staff and approved specialist advisors/contractors who are involved with the business may be invited to participate in the ESOP.

Directors and Executives receive a superannuation contribution of 10% of base salary, and do not receive any other retirement benefit (except salary sacrifice superannuation which is at the discretion of the employee).

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

#### Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. The limit of Non-Executive Director fees was set at a maximum of \$200,000. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Directors retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

#### Performance Based Remuneration

As part of each Executive's remuneration package there is a performance-based component. This is based on the Executive meeting their responsibilities under the annual business plan related to the financial performance, exploration, operations and regulatory requirements to commercialise the Company's assets. The measurement of the Company's performance is achieved via periodic board assessments of the Company's progress through its business plan, and by reference to its financial position. An individual's performance assessment is done by reference to their contribution to the Company's overall achievements. The intention of this program is to facilitate goal congruence between Executives with that of the business and shareholders. Generally, the Executive's performance-based remuneration is tied to the Company's successful achievement of certain key milestones as they relate to its operating activities, as well as the Company's overall financial position. Further information has not been disclosed as it is commercially confidential.

#### Relationship between the remuneration policy and company performance

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the period since listing (11th September 2007) to June 2008:

	30 June 2008
Revenue	209,712
Net profit/(loss) before tax	(1,295,354)
Net profit/(loss) after tax	(1,295,354)
Share price at listing date	\$0.18
Share price at end of year	\$0.09
Basic earnings/(loss) per share	(4.99)cps
Diluted earnings/(loss) per share	(4.99)cps

#### Key Management Personnel Compensation

The Key Management Personnel of Syrah Resources Limited during the year were:

Mr T Eadie	(Chairman)
Mr A Campbell	(Managing Director)
Mr T Lees	(Exploration Director)
Mr D Ogg	(Company Secretary)
Mr D Louwrens	(Exploration Manager)

The aggregate compensation of Key Management Personnel during the year is as follows:

	2008 \$	2007 \$
Short-term employment benefits	404,728	-
Post-employment benefits	38,829	-
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	170,650	-
	<b>614,207</b>	-

## Key Management Personnel Compensation

The compensation of each member of the Key Management Personnel of the entity is set out below.

### Details of remuneration for year ended 30 June 2008

The remuneration for each Director, Executives and Key Management Personnel of the entity during the year was as follows:

	Short-term employment benefits	Post- employment	Equity	Equity	Total
	Salary, Fees and Commissions \$	Superannuation Contribution \$	Shares Received as Compensation \$	Options Received as Compensation \$	\$
<b>Directors</b>					
Mr T Eadie	44,000	8,800	-	33,800	86,600
Mr A Campbell	150,000	15,000	-	67,600	232,600
Mr T Lees	60,000	6,000	-	33,800	99,800
<b>Executives</b>					
Mr D Ogg	60,436	-	-	17,725	78,161
Mr D Louwrens	90,292	9,029	-	17,725	117,046
	<b>404,728</b>	<b>38,829</b>	<b>-</b>	<b>170,650</b>	<b>614,207</b>

No Director or senior management person appointed during the period received a payment as part of his consideration for agreeing to hold the position.

### Options issued as part of remuneration for the year ended 30 June 2008

Options have been issued to Directors and Key Management Personnel as part of their remuneration. The options are not issued based on performance criteria, but are issued to increase goal congruence between Directors and Executives and shareholders.

	Number of Options granted	Number of Options Vested	% of Granted Options Vested	Number of Options exercisable	Value of Options Granted at grant date \$	Total Remuneration Represented by Options %	Exercise Price of Options \$	Expiry Date of Options
<b>Directors</b>								
Mr T Eadie	500,000	500,000	100%	-	33,800	39.03	0.25	31/07/2012
Mr A Campbell	1,000,000	1,000,000	100%	-	67,600	29.06	0.25	31/07/2012
Mr T Lees	500,000	500,000	100%	-	33,800	33.87	0.25	31/07/2012
<b>Executives</b>								
Mr D Ogg	250,000	250,000	100%	250,000	17,725	22.68	0.25	31/07/2012
Mr D Louwrens	250,000	250,000	100%	250,000	17,725	15.14	0.25	31/07/2012

(1) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

(2) Details on the valuation of options are in Note 23.

### Shares issued as part of remuneration for the year ended 30 June 2008

There were no shares issued as part of remuneration during the year ended 30 June 2008. As such there will be no impact on remuneration in the current or future periods.

### Details of Remuneration for Year Ended 30 June 2007

There was no Director or Key Management Personnel remuneration paid during the 2007 financial year.

### Shares and Options Issued as Part of Remuneration for the Year Ended 30 June 2007

There were no shares or options issued as part of remuneration during the year ended 30 June 2007. As such there will be no impact on remuneration in the current or future periods.

### Employment contracts

The Managing Director, Mr A Campbell, is employed under contract. The employment contract commenced on 8 June 2007 and has no fixed term. Under the terms of the present contract:

- Mr Campbell may resign from his position and thus terminate this contract by giving 3 months written notice.
- The Company may terminate this employment agreement by providing 12 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Campbell is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement, Mr Campbell will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The Exploration Director, Mr T Lees, is employed under contract. The current employment contract commenced on 4 May 2007 and has no fixed term. Under the terms of the present contract:

- Mr Lees may resign from his position and thus terminate this contract by giving 3 months written notice.
- The Company may terminate this employment agreement by providing 3 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Lees is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement, Mr Lees will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The Exploration Manager, Mr D Louwrens, is employed under contract. The current employment contract commenced on 21 August 2007 and has no fixed term. Under the terms of the present contract:

- Mr Louwrens may resign from his position and thus terminate this contract by giving 1 month written notice.
- The Company may terminate this employment agreement by providing 3 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Louwrens is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement, Mr Louwrens will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



**Tom Eadie**  
Chairman

MELBOURNE, 25th September 2008



# Directors' Declaration

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) in the Directors' opinion, the Remuneration Report, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and gives a true and fair view of the financial position and performance of the entity; and
- c) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Tom Eadie**

Chairman

MELBOURNE, 25th September 2008

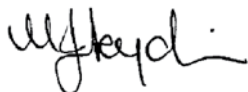
# Independence Declaration

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Syrah Resources Limited:

I declare that to the best of my knowledge and belief, in relation to the Independent Audit for the period ending 30 June 2008, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



**MELANIE J LEYDIN**  
Registered Company Auditor  
Registration: 212298

25th September 2008

# Independent Audit Report

To the members of Syrah Resources Limited (ABN 77 125 242 284)

## Report on the Financial Report

We have audited the accompanying financial report of Syrah Resources Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

## Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with the International Financial Reporting Standards.

## Auditor's Responsibility

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

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

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

## Independent Audit Report (Continued)

### Independence

In conducting our audit, we complied with applicable independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the Directors of Syrah Resources Limited on 25 September 2008, would be in the same terms if provided to the Directors as at the date of this auditors report.

### Electronic presentation of audited financial report

The auditor's report relates to the financial report of Syrah Resources Limited for the year ended 30 June 2008 included on the Syrah Resources Limited's web site. The Company's Directors are responsible for the integrity of the Syrah Resources Limited's web site. We have not been engaged to report on the integrity of the Syrah Resources Limited's website. The auditor's report only refers to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the web site.

### Auditor's Opinion

In our opinion:

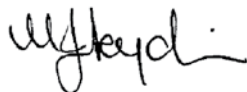
- (a) the financial report of Syrah Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Reporting Standards as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the Directors' report for the year ended 30 June 2008. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's Opinion

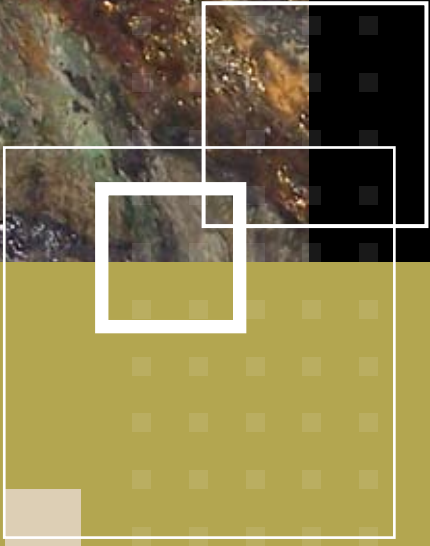
In our opinion the Remuneration Report of Syrah Resources Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



### MELANIE J LEYDIN

Registered Company Auditor  
Registration: 212298

25 September 2008



# Financial Information

for the financial year ended 30 June 2008

## Income Statement

For the year ended 30 June 2008

	Note	2008 \$	2007 \$
<b>Revenue</b>	2	209,712	-
Administrative expenses		(139,395)	-
Employment expenses		(466,124)	-
Share based payments		(170,650)	-
Depreciation and amortisation		(2,829)	-
Exploration costs written off		(726,068)	-
<b>Loss before income tax expense</b>	3	(1,295,354)	-
Income tax expense	4	-	-
<b>Loss for the year</b>		<b>(1,295,354)</b>	-
<b>Earnings/(Loss) per share</b>		<b>Cents per Share</b>	<b>Cents per Share</b>
Basic earnings/(loss) per share	22	(4.99)	-
Diluted earnings/(loss) per share	22	(4.99)	-

*This statement is to be read in conjunction with the notes to the financial statements.*

# Balance Sheet

As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Current Assets</b>			
Cash and cash equivalents	20(a)	2,843,309	200,001
Trade and other receivables	7	41,548	-
<b>Total Current Assets</b>		<b>2,884,857</b>	<b>200,001</b>
<b>Non-Current Assets</b>			
Plant and equipment	8	3,651	-
Exploration expenditure	9	1,777,053	1,800,000
Intangible assets	10	6,991	-
Other non-current assets	11	7,500	-
<b>Total Non-Current Assets</b>		<b>1,795,195</b>	<b>1,800,000</b>
<b>Total Assets</b>		<b>4,680,052</b>	<b>2,000,001</b>
<b>Current Liabilities</b>			
Trade and other payables	12	48,602	200,000
Provisions	13	16,207	-
<b>Total Current Liabilities</b>		<b>64,809</b>	<b>200,000</b>
<b>Non-Current Liabilities</b>			
Provisions	13	3,193	-
<b>Total Non-Current Liabilities</b>		<b>3,193</b>	<b>-</b>
<b>Total Liabilities</b>		<b>68,002</b>	<b>200,000</b>
<b>Net Assets</b>		<b>4,612,050</b>	<b>1,800,001</b>
<b>Equity</b>			
Issued capital	14	5,736,754	1,800,001
Reserves	15	170,650	-
Retained earnings/(accumulated losses)		(1,295,354)	-
<b>Total Equity</b>		<b>4,612,050</b>	<b>1,800,001</b>

This statement is to be read in conjunction with the notes to the financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2008

	Issued Capital Note 14	Retained Earnings	Option Reserves Note 15	Total
Equity as at 1 July 2006	-	-	-	-
Loss for the period (A)	-	-	-	-
Issue of Options	-	-	-	-
Issue of Shares	1,800,001	-	-	1,800,001
Costs of Capital Raising	-	-	-	-
<b>Equity as at 30 June 2007</b>	<b>1,800,001</b>	<b>-</b>	<b>-</b>	<b>1,800,001</b>
Equity as at 1 July 2007	1,800,001	-	-	1,800,001
Loss for the period (A)	-	(1,295,354)	-	(1,295,354)
Issue of Options	-	-	170,650	170,650
Issue of Shares	4,200,000	-	-	4,200,000
Costs of Capital Raising	(263,247)	-	-	(263,247)
<b>Equity as at 30 June 2008</b>	<b>5,736,754</b>	<b>(1,295,354)</b>	<b>170,650</b>	<b>4,612,050</b>

(A) Loss for the period equals total recognised income and expenses for the period.

*This statement is to be read in conjunction with the notes to the financial statements.*

# Cash Flow Statement

For the year ended 30 June 2008

	Note	2008 \$	2007 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		-	-
Interest received		199,795	-
Payments to suppliers and employees		(576,648)	-
Net cash used in operating activities	20(c)	(376,853)	-
<b>Cash Flows From Investing Activities</b>			
Payments for exploration and development expenditure		(703,121)	-
Payment for plant and equipment		(4,547)	-
Payment for intangibles (software)		(8,924)	-
Net cash (used in)/provided by investing activities		(716,592)	-
<b>Cash Flows From Financing Activities</b>			
Proceeds from borrowings – Director related entity		-	200,000
Proceeds from issue of equity securities		4,000,000	1
Payment for share issue costs		(263,247)	-
Net cash flows from financing activities		3,736,753	200,001
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash and cash equivalents at beginning of the financial year		200,001	-
<b>Cash and Cash Equivalents at the End of the Financial Year</b>	20(a)	<b>2,843,309</b>	<b>200,001</b>

*This statement is to be read in conjunction with the notes to the financial statements.*

# Notes to and forming part of the Financial Statements

## 1. Summary of accounting policies

### Corporate Information

Syrah Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 25th September 2008.

### Basis of preparation

The financial report has been prepared on the basis of historical cost except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

### Adoption of new and revised accounting standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The Company has also adopted the following standards as listed below which impacted on the Company's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'
- AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'
- AASB 2007-7 'Amendments to Australian Accounting Standards' [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128] and Erratum: Proportionate Consolidation [AASB 101, AASB 107, AASB 121, AASB 127, Interpretation 113]

### Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the year financial report:

#### (a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### (b) Financial instruments issued by the Company

##### *Transaction costs on the issue of equity instruments*

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

##### *Interest and dividends*

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

#### (c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

#### (d) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **(e) Income tax**

##### ***Current tax***

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

##### ***Deferred tax***

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

#### **(f) Exploration expenditure**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to exploratory development.

## Notes to and forming part of the Financial Statements continued

**(g) Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in the Remuneration Report.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

**(h) Employment benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their normal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

**(i) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

***Plant and equipment***

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received for the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

***Depreciation***

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation
Plant and equipment	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Income Statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(j) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(k) Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

***Interest Revenue***

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## (l) Standards and interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretation listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Company's financial report:

- AASB 101 'Presentation of Statements' (revised September 2007)

*Effective for annual reporting periods beginning on or after 1 January 2009*

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the company:

- AASB 123 'Borrowing Costs (revised)'

*Effective for annual reporting periods beginning on or after 1 January 2009*

- AASB 2008-5 and AASB 2008-6 'Amendments to Australian Accounting Standards' – Annual Improvements Project, amend 26 Standards

*Effective for annual reporting periods beginning on or after 1 January 2009*

- AASB 2008-7 'Amendments to Australian Accounting Standards' - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

*Effective for annual reporting periods beginning on or after 1 January 2009*

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standard has not yet been determined:

- IFRS 3 'Business Combinations' and IAS 27 'Separate and Consolidated Financial Statements'

*Effective for annual reporting periods beginning on or after 1 July 2009*

## Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affect both current and future periods.

### Key estimates

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

#### Key estimates – impairment

No impairment has been recognised in respect of exploration expenditure for the current year ended 30 June 2008.

#### Key judgments – tax losses

The Company has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

Notes to and forming part of the Financial Statements continued

	2008 \$	2007 \$
<b>2. Revenue</b>		
Revenue from continuing operations consisted of the following items		
<b>Other Income</b>		
Interest revenue	209,712	-
<b>3. Profit/(Loss) from operations</b>		
<b>Loss before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing operations</b>		
Depreciation and amortisation of non-current assets:		
- Plant and equipment	896	-
- Software	1,933	-
	2,829	-
Post employment benefits	38,829	-
Share based payments:		
- Equity settled share based payments	170,650	-
Charges to provisions:		
- Employee entitlements	19,400	-
Operating lease payments		
- Office lease	9,936	-

	2008 \$	2007 \$
<b>4. Income taxes</b>		
(a) The Components of Tax Expense comprise:		
Current Tax	-	-
Deferred Tax	-	-
	-	-
(b) The prima facie tax from ordinary activities before income tax is reconciled to the income tax expense as follows:		
<b>Profit/(Loss) from ordinary activities</b>	<b>(1,295,354)</b>	-
Income tax expense/(benefit) calculated at 30%	(388,606)	-
Add:		
Tax Effect of:		
- Non deductible expenses	72,463	-
- Exploration costs written off	149,733	-
- Share based payments	51,195	-
	(115,215)	
Add/(Less) Temporary Differences:		
- Capitalised deductible exploration expenditure	(142,849)	-
- Deductible share issue costs	(27,977)	-
- Other timing differences	(2,975)	-
Tax benefit for the year	(289,016)	-
Income tax losses carried forward not taken up as benefit	289,016	-
Tax expense	-	-
Deferred tax assets not brought to account as assets:		
- Tax losses	286,041	-
- Temporary differences	127,611	-
	413,652	-

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

- i) The Company 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;
- ii) The Company continues to comply with the conditions for deductibility imposed by law; and
- iii) No change in tax legislation adversely affects the Company in realising the benefits from deducting the losses.

## Notes to and forming part of the Financial Statements continued

## 5. Key Management Personnel

**(a) Key Management Personnel Remuneration and Policies**

Details of Key Management Personnel Remuneration and Policies are detailed in the Remuneration Report contained within the Directors' Report.

**(b) Option holdings by Key Management Personnel or their nominees**

	Balance 1.7.2007	Granted as Compensation	Net Change Other	Balance 30.6.2008	Options Vested during the year	Vested but not exercisable	Vested and exercisable
	No.	No.	No.	No.	No.	No.	No.
Mr T Eadie	-	500,000	-	500,000	500,000	500,000	-
Mr A Campbell	-	1,000,000	-	1,000,000	1,000,000	1,000,000	-
Mr T Lees	-	500,000	-	500,000	500,000	500,000	-
Mr D Ogg	-	250,000	-	250,000	250,000	-	250,000
Mr D Louwrens	-	250,000	-	250,000	250,000	-	250,000
	-	<b>2,500,000</b>	-	<b>2,500,000</b>	<b>2,500,000</b>	<b>2,000,000</b>	<b>500,000</b>

There were no Key Management Personnel option holdings during or as at 30 June 2007.

**(c) Shareholdings by Key Management Personnel or their nominees**

	Balance 1.7.2007	Received as Compensation	Net Change Other	Balance 30.6.2008	Balance held nominally at 30.6.2008
	No.	No.	No.	No.	No.
Mr T Eadie	-	-	10,700,005	10,700,005	10,500,005
Mr A Campbell	-	-	225,000	225,000	-
Mr T Lees	-	-	60,000	60,000	60,000
Mr D Ogg	-	-	100,000	100,000	100,000
Mr D Louwrens	-	-	10,000	10,000	-
	-	-	<b>11,095,005</b>	<b>11,095,005</b>	<b>10,660,005</b>

There were no Key Management Personnel shareholdings during or as at 30 June 2007.

	2008 \$	2007 \$
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## 6. Auditor's remuneration

### Auditor

#### Leydin Freyer Corporate

Auditing or reviewing the financial report	15,000	-
Independent Accountant's report	8,000	-
	23,000	-

## 7. Trade and other receivables

### Current

Goods and services tax recoverable	31,306	-
Interest receivable	9,917	-
Loan – Director related company	325	-
	41,548	-

- (a) The average credit period on trade and other receivables is 30 days. No interest is charged on the receivables. The Company has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.
- (b) Due to the short term nature of these receivables, their carrying value is assumed to be approximate their fair value.

## 8. Plant and equipment

Plant and equipment – at cost	4,547	-
Less: Accumulated depreciation	(896)	-
	3,651	-

### *Movement in carrying value of plant and equipment*

Opening carrying value	-	-
Additions	4,547	-
Depreciation expense	(896)	-
Closing carrying value	3,651	-

Notes to and forming part of the Financial Statements continued

	2008 \$	2007 \$
<b>9. Exploration Expenditure</b>		
Exploration and evaluation expenditure	1,777,053	1,800,000
<i>Movement in exploration and evaluation expenditure</i>		
Opening carrying value	1,800,000	-
Expenditure during the year (1)	703,121	1,800,000
Written off expenditure (2)	(726,068)	-
Closing carrying value	1,777,053	1,800,000

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(1) Capitalised cost of \$703,121 has been included in cash flows from investing activities in the cash flow statement.

(2) The written off expenditure of \$726,068 relates to:

- Write off of the White Dam project due diligence assessment;
- Write down of the Levuka permit and associated drilling costs;
- General exploration written off.

**10. Intangible assets**

Software	8,924	-
Less: Accumulated Amortisation	(1,933)	-
	6,991	-
<i>Reconciliation of intangibles</i>		
Carrying amount at beginning of year	-	-
Additions	8,924	-
Amortisation expense	(1,933)	-
Carrying amount at end of the year	6,991	-

**11. Other non-current assets**

Deposits paid	7,500	-
---------------	-------	---

	2008 \$	2007 \$
<b>12. Trade and other payables</b>		
<b>Current</b>		
Trade payables	-	-
Amounts payable to:		
- Key Management Personnel	-	-
- Key Management Personnel related entities	5,500	-
- Director related entities (Note 19)	-	200,000
- Sundry payables and accrued expenses	43,102	-
	48,602	200,000

(a) The average credit period on purchases is 30 days. No interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

### 13. Provisions

#### Current

Provision for employee entitlements	16,207	-
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#### Non-current

Provision for employee entitlements	3,193	-
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(a) A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of the future cash flows in respect of the long service leave, the probability of long service leave taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 of this report.

## Notes to and forming part of the Financial Statements continued

	2008 \$	2007 \$
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**14. Issued capital**

30,000,005 fully paid ordinary shares  
(2007: 9,000,005)

**5,736,754**                      **1,800,001**

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Changes to the Corporations' Law abolished the authorised capital and par value concept in relation to Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	No. of Shares	\$
<b>(a) Fully paid ordinary shares</b>		
Balance at 1 July 2006	-	-
Seed capital and share issues	9,000,005	1,800,001
<b>Balance at 30 June 2007</b>	<b>9,000,005</b>	<b>1,800,001</b>
Balance at 1 July 2007	9,000,005	1,800,001
Issue of shares	21,000,000	4,200,000
Less capital cost of raising	-	(263,247)
<b>Balance at 30 June 2008</b>	<b>30,000,005</b>	<b>5,736,754</b>

**(b) Terms and conditions of issued capital**

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

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	2008 No.	2007 No.
<b>(c) Options</b>		
Balance at beginning of the financial year	-	-
Granted during the financial year	2,500,000	-
Exercised during the financial year	-	-
Lapsed during the financial year	-	-
Balance at end of the financial year	<b>2,500,000</b>	-

Each option entitles the holder to subscribe for one ordinary share in Syrah Resources Limited upon the payment of \$0.25.

The options will lapse at 5.00pm (AEST) on 31 July 2012. The options are transferable. The options carry neither rights to dividends nor voting rights.

**Directors' Options**

Options granted to Directors or their nominees are disclosed in the Remuneration Report.

2008	2007
\$	\$

## 15. Reserves

### Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

During the year the following options were granted for Directors, Executives and Key Management Personnel:

- 2,000,000 options to Directors valued at \$0.06760 per option.
- 500,000 options to Executives valued at \$0.07090 per option.

Details of the option valuations are included in Note 23.

Movements in Reserves is detailed in the "Statement of Changes in Equity"

## 16. Dividends

There have been no dividends paid or proposed in the 2007 or 2008 financial years.

## 17. Commitments for expenditure

### Exploration licences - commitments for expenditure

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements of the relevant state government departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable:

Not later than one year	554,750	-
Later than one year but not later than five	3,522,250	-
Later than five years	32,000	-
	<b>4,109,000</b>	-

## 18. Segment information

The Company operated predominately as an explorer for base and precious metals within Australia.

## 19. Related party disclosures

### Key Management Personnel compensation

Details of Key Management Personnel compensation are disclosed in the Remuneration Report.

### Transactions with Key Management Personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

- Austgold Mine Consulting Pty Ltd, a company associated with Mr Alistair Campbell, received fees of \$56,250 (2007:Nil).
- Inkprintz Pty Ltd, a company associated with Mr Tom Eadie, received fees of \$21,320 (2007:Nil).
- Paid rent of \$9,936 (2007:Nil) to Copper Strike Limited, a company associated with Mr Tom Eadie and Mr Terry Lees under a sub-lease agreement.

### Transactions with Director related entities

- Royalco Resources Limited, a company associated with Mr Tom Eadie and Mr David Ogg, converted their loan account of \$200,000 into issued capital in Syrah Resources Limited. (Note 12)
- The Company has a loan receivable of \$325 from Copper Strike Limited, a company associated with Mr Tom Eadie and Mr Terry Lees. (Note 7)

## Notes to and forming part of the Financial Statements continued

	2008	2007
	\$	\$

**20. Notes to the statement of cash flows****(a) Reconciliation of cash and cash equivalents**

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

<b>Cash and cash equivalents</b>	<b>2,843,309</b>	<b>200,001</b>
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**(b) Financing facilities**

The Company has a credit card facility of \$20,000. At 30 June 2008 this facility was entirely unused. The Company has a \$20,000 term deposit in place as a security against this facility.

**(c) Reconciliation of net profit/(loss) from ordinary activities after related income tax to net cash flows from operating activities**

Profit/(loss) after related income tax	(1,295,354)	-
Less: Non-cash activities:		
Depreciation and amortisation of non-current assets	2,829	-
Share based payments expense	170,650	-
Annual leave provision	19,400	-
Exploration costs written off	726,068	-
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(41,549)	-
Increase/(decrease) in liabilities:		
Current payables	41,103	-
<b>Net cash (used in) operating activities</b>	<b>(376,853)</b>	<b>-</b>

**(d) Non cash financing and investing activities**

During the year the Company issued 1,000,000 shares at \$0.20 in consideration for settlement of a debt of \$200,000.

## 21. Financial risk management objectives and policies

The Company's principal financial instruments comprise cash and cash equivalents.

The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are cash flow interest rate risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

### (a) Cash flow interest rate risk

The Company's exposure to the risks of changes in market interest rates relates primarily to the Company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

The following table sets out the carrying amount by maturity of the Company's financial assets and liabilities, the exposure to interest rate risk, and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

	Note	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity			
		2008	2007	2008	2007	2008	2007	-10%		+10%	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>											
Cash at bank	20	2,841,943	200,001	1,366	-	2,843,309	200,001	(19,098)	(1,090)	19,098	1,090
Trade and other receivables	7	-	-	41,548	-	41,548	-	-	-	-	-
Security Deposits	11	-	-	7,500	-	7,500	-	-	-	-	-
<b>Total</b>		<b>2,841,943</b>	<b>200,001</b>	<b>50,414</b>	<b>-</b>	<b>2,892,357</b>	<b>200,001</b>	<b>(19,098)</b>	<b>(1,090)</b>	<b>19,098</b>	<b>1,090</b>
Weighted average interest rate		6.72%	5.45%								
<b>Financial Liabilities</b>											
Trade and other payables	12	-	-	48,602	200,000	48,602	200,000	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>48,602</b>	<b>200,000</b>	<b>48,602</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Weighted average interest rate		-	-								
<b>Net Financial assets (liabilities)</b>		<b>2,841,943</b>	<b>200,001</b>	<b>1,812</b>	<b>(200,000)</b>	<b>2,843,755</b>	<b>1</b>	<b>(19,098)</b>	<b>(1,090)</b>	<b>19,098</b>	<b>1,090</b>

The Company has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Company continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

## Notes to and forming part of the Financial Statements continued

**21. Financial risk management objectives and policies continued**

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 10% sensitivity would move short term interest rates at 30 June 2008 from 6.72% to 7.40% representing a 68 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

**(b) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet debt requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company aims at maintaining flexibility in funding by having in place operational plans to source further capital as required.

Liquidity risk is measured using liquidity ratios such as working capital as follows:

	30 June 2008	30 June 2007
Current Assets	2,884,857	200,001
Current Liabilities	64,809	200,000
<b>Surplus/(Deficit)</b>	<b>2,820,048</b>	<b>1</b>

**(c) Commodity price risk**

The Company is exposed to commodity price risk. This risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Company does not hedge its exposures.

**(d) Net fair values**

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where carrying amount exceeds net fair values at balance date.

The Company's receivables at balance date are detailed in Note 7 and comprise primarily interest receivable and from GST input tax credits refundable by the ATO.

The credit risk on financial assets of the Company which have been recognised on the Balance Sheet is generally the carrying amount.

**(e) Capital risk management**

When managing capital, management's objectives is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also maintain a capital structure that ensures the lowest cost of capital available to the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholder, issue new shares, enter into joint ventures or sell shares.

The Company does not have a defined share buy-back plan.

No dividends were paid in 2007 and no dividends are expected to be paid in 2008.

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The Company is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

	2008 Cents Per Share	2007 Cents Per Share
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## 22. Earnings

<b>Basic earnings (loss) per share</b>	<b>(4.99)</b>	-
<b>Diluted earnings (loss) per share</b>	<b>(4.99)</b>	-

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	\$	\$
Loss after income tax used in the calculation of basic EPS and dilutive EPS	(1,295,354)	-

	2008 No	2007 No
Weighted average number of ordinary shares for basic earnings per share	25,926,235	2,250,001
Weighted average number of ordinary shares for diluted earnings per share	25,926,235	2,250,001

### Diluted earnings per share

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 exercise price was significantly higher than the Company's share price as at 30 June 2008.

## 23. Share based payments

During the year the Company issued 2,000,000 options to Directors, exercisable at \$0.25 and expiring 31 July 2012. The options having been valued using the Black Scholes methodology at \$0.0676. The following variables were used in this calculation:

Share price	\$0.18
Risk free interest rate	6.0%
Volatility	62%
Maturity	4.8 years
Discount factor	35%

During the year the Company issued 500,000 options to Executives and Key Management Personnel, exercisable at \$0.25 and expiring 31 July 2012. The options having been valued using the Black Scholes methodology at \$0.0709. The following variables were used in this calculation:

Share price	\$0.18
Risk free interest rate	6.0%
Volatility	62%
Maturity	4.8 years
Discount factor	55%

## 24. Events after the balance sheet date

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

# Additional Shareholder Information

The shareholder information set out below was applicable as at 8 September 2008.

## 1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding.

Category of holding	Holders	Number of Shares	% of Capital
1 – 1,000	26	1,063	0.01
1,001 – 5,000	21	82,272	0.27
5,001 – 10,000	193	1,911,200	6.37
10,001 – 100,000	220	8,243,254	27.48
100,001 and over	26	19,762,216	65.87
<b>Total</b>	<b>486</b>	<b>30,000,005</b>	<b>100.00</b>

(b) There are 50 shareholders with less than a marketable parcel of ordinary shares.

## 2. Twenty largest Shareholders

The names of the twenty largest holders by account holding of ordinary shares are listed below:

Shareholder	Holding	%
Copper Strike Limited	9,000,005	30.00
Transcontinental Investments Pty Ltd	4,460,094	14.87
Royalco Resources Limited	1,500,000	5.00
National Nominees Limited	417,900	1.39
Finance Associates Pty Ltd	350,000	1.17
Neville Miles	300,000	1.00
Drill Investment Pty Ltd	250,000	0.83
GF Lord, Nanette Kathleen and R C Peek	250,000	0.83
Fonomes Pty Ltd	225,075	0.75
A B and K P Campbell	225,000	0.75
Rohan Lean	217,368	0.72
Ernest Thomas Eadie	200,000	0.67
John Ashton Bloore	200,000	0.67
Joe Mathew	200,000	0.67
Carlo Chiodo	200,000	0.67
Trevor and Pamela Edwards	200,000	0.67
Timothy William Channell	200,000	0.67
Paul Brendan Kehoe	190,500	0.63
Arinya Investments Pty Ltd	177,505	0.59
Ferraro Nominees Pty Ltd	164,000	0.55
<b>Total</b>	<b>18,927,447</b>	<b>63.10</b>

### 3. Restricted securities

As at 8 September 2008, the Company had the following securities subject to escrow arrangement:

Security	Number	Escrow Expiry
Fully paid ordinary shares	9,000,000	13/09/2009
Unlisted options	2,000,000	13/09/2009

### 4. Substantial shareholders

As at 8 September 2008 the substantial shareholders were as follows:

Name of Shareholder	Number of Shares	% of Issued Capital
Copper Strike Limited	9,000,005	30.00%
Transcontinental Investments Pty Ltd	4,460,094	14.87%

### 5. Voting rights

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.



# Corporate Governance Statement

The Board of Directors (“the Board”) of Syrah Resources Limited (“the Company”) supports the establishment and ongoing development of good corporate governance policies, that are compatible with the Company’s size and which ensure an appropriate level of accountability to shareholders and other stakeholders.

A description of the Company’s main corporate governance practices is set out below. It is also accessible at the Company’s website – [www.syrahresources.com.au](http://www.syrahresources.com.au) under the “Corporate” tag which has a sub heading for corporate governance. In August 2007, the ASX issued a revised set of corporate governance principles and recommendations intended to take effect from 1 January 2008. Syrah Resources has elected to adopt these recommendations early for the purposes of reporting in the current period.

The recommendations are not prescriptions and are intended as guidelines only. The Board has sought to apply the revised recommendations to the extent relevant to the Company’s size and scale of operations.

**Recommendation 1.1: Establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.**

The Company’s activities are currently not of a sufficient size nor are its affairs of such complexity to justify the employment of full-time management personnel. Accordingly most of the functions of management are undertaken by consultants under the supervision of the Managing Director who is responsible for management activities under delegated authority of the Board. The functions specifically reserved for the full Board are as follows:

- a) Setting and monitoring of objectives, goals and strategic direction with a view to maximising shareholder value, consistent with ethical behaviour and acceptable risk parameters;
- b) Approving budgets and monitoring financial performance;
- c) Identifying significant business risks and ensuring that these are appropriately managed;
- d) Approval of any significant asset acquisitions or disposals;
- e) Selection and appointment of new Directors; and
- f) Appointment and removal of Managing Director.

**Recommendation 1.2: Disclose the process for evaluating the performance of Senior Executives.**

The performance of all Directors, and Senior Executives is reviewed at least annually. The Board evaluates the performance of the Managing Director and any other Senior Executives having regard to such things as:

- a) The responsibilities of the Executive;
- b) Performance against budget;
- c) Any communicated key performance indicators; and
- d) Qualitative as well as quantitative measures.

No Director or Senior Executive is involved with his or her own evaluation, and the remainder of the Board evaluates such parties without such parties being present.

A review of the performance of the Board, its Directors and Senior Executives was carried out in August 2008, and was undertaken in accordance with the above policy.

**Recommendation 2.1: A majority of the Board should be Independent Directors.**

The Company does not currently have any Non-Executive Independent Directors.

Due to the Company’s size and its specialised operations, the Board considers that a majority of Independent Directors is not currently warranted. As the Company’s activities expand, this policy will be reviewed, with a view to aligning the Company’s policies to conformity with this recommendation. The Board recognises that Directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or otherwise.

The effectiveness of the Board is achieved through the Directors’ knowledge and experience specific to the business and the industry in which the Company operates. Any Director may seek their own independent legal advice at the Company’s expense to assist them in the performance of their duties to the Company and the shareholders.

**Recommendation 2.2: The Chairperson should be an Independent Director.**

The Chairman, Mr Eadie, is not an Independent Director as he is the CEO of a substantial shareholder. Whilst the Board recognises that it is desirable for the Chairman to be an Independent Director, the Company’s current early stage of development and size dictate that this is the most efficient mode of operation at the current time. The Board will review the appointment of an Independent Chairperson should the Company’s size and growth warrant this.

**Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual.**

The Company’s Chief Executive Officer is Mr Alistair Campbell who is not the Chairperson.

**Recommendation 2.4: The Board should establish a nomination committee.**

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors and the identification of attributes required in new Directors. The Board as a whole also reviews Board succession plans, appointment and re-election of Directors and the process for evaluation of the performance of the Board and Senior Executives (as outlined under recommendation 1.2). Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.

Should the Company’s activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

**Recommendation 2.5: Disclose the process for evaluating the performance of the Board, its Committees and Individual Directors.**

See the comments under recommendation 1.2 above.

**Recommendation 3.1: Establish a code of conduct and disclose the code or a summary of the code as to:**

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has adopted a Corporate Code of Conduct, and a Code of Conduct for Executives, which can be accessed at the Company's website at [www.syrahresources.com.au](http://www.syrahresources.com.au) under the "Corporate" tag which has the appropriate sub headings.

**Recommendation 3.2: Establish a policy concerning trading in Company securities by Directors, Senior Executives and Employees, and disclose the policy or a summary of that policy.**

The Company has adopted a Trading Policy which can be assessed at [www.syrahresources.com.au](http://www.syrahresources.com.au) under the "Corporate" tag which has the appropriate sub heading.

**Recommendation 4.1: The Board should establish an Audit Committee.**

During the 2007/2008 year the Company had an established Audit Committee. However, this was comprised of Executives and Non Independent Directors as insufficient numbers of Independent Directors existed to staff the committee otherwise. The Audit Committee met 3 times during the year, and all members attended all meetings. The members of the Audit Committee were Tom Eadie, Terry Lees and David Ogg. Details of their experience and qualifications are contained earlier in the annual report.

Following a review at the end of June 2008 it was decided to abandon the Audit Committee, and instead have these functions performed by the whole Board. This was considered appropriate as the previous Audit Committee excluded the CEO, who along with the CFO is obliged to sign off on the accounts and procedures. All items that would normally be dealt with by an Audit Committee are dealt with at Board meetings. Such matters include:

- a) Establishment and review of internal control frameworks within the Company;
- b) Review of the financial statements, annual report and any other financial information distributed to shareholders or other external stakeholders;

- c) Review of audit reports and any correspondence from auditors, including comments on the Company's internal controls;
- d) Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half year review; and
- e) Monitoring compliance with the Corporations Act, ASX listing Rules and any other regulatory requirements.

**Recommendation 4.2: The Audit Committee should be structured so that it:**

- consists only of Non-Executive Directors;
- consists of a majority of Independent Directors;
- is chaired by an Independent Chairperson, who is not Chairperson of the Board; and
- has at least three members.

See comments under recommendation 4.1 above.

**Recommendation 4.3: The Audit Committee should have a formal charter.**

See comments under recommendation 4.1 above.

**Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.**


The Company has adopted a continuous disclosure policy that requires all Directors and Executives to inform the Managing Director, or in his absence the Chairman or Company Secretary, of any potentially material information as soon as practicable after they become aware of that information. The Company does not currently have a formal written policy in place, but instead relies on the extensive experience of the Board and Key Management Personnel to ensure ongoing compliance.

**Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.**

The Company has a disclosed policy for effective communication with shareholders which is available at the corporate governance statement on the Company's website at [www.syrahresources.com.au](http://www.syrahresources.com.au) under the "Corporate" tag which has the appropriate sub heading.

**Recommendation 7.1: Establish policies for the oversight and management of material business risk and disclose a summary of those policies.**

The Company has established policies for the oversight and management of material business risks which is available at the corporate governance statement on the Company's website at [www.syrahresources.com.au](http://www.syrahresources.com.au) under the "Corporate" tag which has the appropriate sub heading.



**Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.**

Management has not formally reported to the Board as to the effectiveness of the Company's management of its material business risks. All business risks are the responsibility of the Board, and the Board believes the risk management and internal control systems designed and implemented by the Directors and the Company Secretary are adequate given the size and nature of the Company's activities. The Board requests management to report informally on risk management and internal control, and to highlight any additional risks that may have been identified, as well as reporting on matters that may have arisen from the Company's internal control procedures. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.

**Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.**

The Board receives such assurances prior to the release of the Company's full year and half year accounts.

**Recommendation 8.1: The Board should establish a remuneration committee.**

The Board considers that, based on the Company's stage of development, no benefits or efficiencies are to be gained by delegating this function to a separate committee. The process for evaluating both Executives and Directors remuneration is explained under recommendation 1.2 above. There are no schemes for retirement benefits, other than superannuation for Directors.

**Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors.**

The structure of Executive and Non-Executive Directors remuneration is detailed in the Remuneration Report, which forms part of the Directors report in the annual report.





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