SYRAH RESOURCES LIMITED
ABN 77 125 242 284

Annual Financial Report
for the Financial Year Ended 30 June 2010

SYRAH RESOURCES LIMITED
ABN 77 125 242 284

CORPORATE DIRECTORY

Board of Directors
Tom Eadie (Chairman)
Alistair Campbell (Managing Director)
Terry Lees (Exploration Director)

Company Secretary
David Ogg

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ST KILDA VIC 3182

Share Registry
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Stock Exchange Listing
Home Exchange is Melbourne
ASX Code Fully Paid Shares: SYR

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LETTER FROM THE CHAIRMAN

During 2009/10 Syrah Resources continued to build strong momentum with its business development in Saudi Arabia. The Company now has a large portfolio of Exploration Licence Applications in progress covering a range of gold and copper prospective mineral belts and occurrences. The Arabian Shield is under explored and considered by Syrah to have high potential for new discoveries.

Syrah has 23 Exploration Licence Applications in progress at the Deputy Ministry for Mineral Resources in Saudi Arabia. The first of these applications were made in August 2009 and have now progressed substantially through the Saudi approval system. The Company holds high hopes that the first grant of our applications will occur in an early timeframe; however we are unable to release prospect and exploration target information until this occurs.

Syrah has now established a substantial GIS database covering the geology of the Arabian Shield and will continue to use this to generate new targets and opportunities.

The Company has commenced incorporation of a wholly owned subsidiary called Syrah Resources Saudi Arabia LLC. Development of a local subsidiary company will assist in the development of new business opportunities in the Kingdom.

Syrah completed a review of its Australian exploration projects and ultimately elected to relinquish all of its Exploration Licences other than the Lyndhurst Project in South Australia. In September 2009, two Joint Venture Agreements were signed with Zurich Resources Pty Ltd, who have made expenditure commitments to continue the exploration program at Lyndhurst. Zurich can initially earn 50% ownership of the Lyndhurst licences and may ultimately earn 80% ownership through the completion of a Feasibility Study.

Syrah continues to assess a range of exploration and advanced mineral projects in an endeavour to seek early access to production. Despite a large number of projects reviewed by the Company in 2009, Syrah elected not to proceed with any of the projects considered and continued with its Saudi Arabian focus.

After completing a successful placement in the third quarter of 2009, Syrah remains well placed with funding and intends to maintain good levels of available capital to ensure its Saudi program is supported with solid financial backing. I would like to thank the Board, staff and contractors for their commitment and effort during the 2009 year.

Tom Eadie
Chairman

REVIEW OF OPERATIONS

Overview

During 2009 Syrah continued with its project generation activities in the Arabian Shield in Saudi Arabia. Priority has been placed on making application for new exploration tenure on open ground, with a focus on areas with known mineral occurrences or high prospectivity along trend from mineralised regional structures.

Syrah has engaged a dedicated Saudi Exploration Manager and has built a substantial GIS database and project generation capability. Strong connections with key representatives of government departments have been fostered with regular meetings and communications, which will assist in the Exploration Licence approval process.

Syrah has relinquished its high risk Australian exploration projects leaving Lyndhurst as its sole Australian exploration project. A joint venture was entered into with Zurich Resources Pty Ltd such that Zurich can continue assessment of the White Lead oxide copper resource. Zurich has also expanded the scope of the exploration search to deeper sulphide copper mineralisation.

Saudi Arabia

Syrah has now submitted 23 Exploration Licence Applications to the Deputy Ministry for Mineral Resources (DMMR). These applications target known mineral occurrences and extensions to regional scale structural corridors known to contain copper and gold mineralisation. Numerous ELAs contain mineral occurrences with ancient workings. Many have been subject to varying degrees of historical exploration conducted by the USGS and BRGM in the 1970's and 1980's when commodity prices were much lower and a lower economic imperative was placed on exploration. Some Exploration Licence applications are more greenfields in nature and represent strong strategic ground positions along known mineralised corridors.

The ELAs submitted by Syrah cover a total area of 2,100km^2 across a number of geological terranes. The Company will provide more information regarding the exploration targets within these application areas once final confirmation of tenure is provided by the DMMR. The Company actively monitors progress of the applications through the DMMR approval process.

The Company continues to actively evaluate additional prospective areas for exploration and new business development opportunities in Saudi Arabia.

In December 2009 Syrah signed a Memorandum of Understanding with Mashoura Company, a Saudi business consultancy with a strong association with the Saudi resource industry. After an extended period of negotiation, joint venture terms could not be agreed upon and Syrah withdrew from the process. Syrah will continue to consider partnerships with Saudi businesses, however will continue with 100% ownership of its projects at this time.

Mt Lyndhurst Project

The Mt Lyndhurst Project comprises two Exploration Licences located approximately 50km northeast of Leigh Creek in the northern Flinders Ranges. The licences, Mt Lyndhurst (EL3522) and Mt Lyndhurst South (EL3550), cover 842km^2. The tenure of EL3522 was renewed for 2 years in March 2009. EL3550 is due for renewal in August 2010.

Syrah obtained promising drilling results at the White Lead prospect in a 7 hole RC drilling program in April 2008 and then a follow-up 60 hole wide spaced RAB drilling program in September 2008. A summary of significant copper intersections from these programs, using a 0.3% Cu cut-off grade, is provided below:

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

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

REVIEW OF OPERATIONS (CONTINUED)

WLDH006:	**30m @ 0.80% Cu, including 12m @ 1.61% Cu**
RB052:	**6m @ 1.06% Cu and 4m @ 1.02% Cu**
RB055:	**10m @ 0.57% Cu**
RB060:	**6m @ 1.50% Cu**

The RC and RAB programs successfully identified five areas where the copper oxide mineralisation exhibits continuity. An exploration target of 0.75Mt to 1.5Mt at 0.6% to 0.8% Cu was developed for White Lead from this drilling.

In September 2009 Syrah entered into a joint venture with Zurich Resources Pty Ltd to continue exploration at Lyndhurst. Separate Joint Venture Agreements were put in place for the Lyndhurst and Lyndhurst South EL's.

Zurich commenced its field programs at Lyndhurst and Lyndhurst South in December 2009. Activities completed by Zurich to date comprise:

- Processing and field interpretation of ASTER data;
- Re-processing of historical airborne magnetic and radiometric geophysical data;
- Field evaluation of known prospects and sulphide copper potential;
- Identification and ranking of primary sulphide copper targets; and
- First pass stream geochemical sampling.

Encouraging evidence of widespread copper anomalism, leached sulphide stockwork zones, copper anomalous jasperoids and widespread sericite and clay alteration were found by Zurich during field reconnaissance.

In 2010 Zurich will conduct detailed prospect mapping, ground magnetic surveys and IP/resistivity surveys. Following this, interpretation and drill targeting will lead to additional drilling programs at the Lyndhurst Project.

New Project Generation

Syrah continues to assess a range of exploration and advanced mineral projects worldwide in an endeavour to seek early access to production. A large number of projects were reviewed by the Company in the past year. Syrah elected not to proceed with the projects considered. The Company will continue to seek new projects to acquire or joint venture.

Exploration Project Relinquishments

The Archie-MacKenzie and Levuka projects were relinquished during the financial year. It was deemed that exploration of these projects was high risk and did not justify further expenditure.

Occupational Health and Safety

No injuries were sustained by employees or contractors during the course of the Company's activities during the year.

DIRECTORS' REPORT

The Directors of Syrah Resources Limited submit herewith the annual financial report of the Group for the financial year ended 30 June 2010. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

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

Name	Particulars
Mr Tom Eadie	Chairman
Qualifications	B.Sc. (Hons), M.Sc., F.AusIMM, SA Fin
Experience	Tom Eadie is the Executive Chairman and Managing Director of Copper Strike, an ASX-listed, base metal explorer in eastern Australia. In addition he is a Director of Royalco Resources, 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 (unlisted)
Mr Alistair Campbell	Managing Director
Qualifications	BEng(Mining), GDipAppFin, MAusIMM
Experience	Alistair Campbell is a mining engineer with 28 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 direct 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. 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 (unlisted) 1,000,000 options expiring 31 July 2014 exercisable at $0.04 (unlisted)

DIRECTORS' REPORT (CONT'D)

Mr Terry Lees	Exploration Director
Qualifications	B.App.Sc. (Geol), M.Sc. (Geol), M. Env., FAIG
Experience	Terry Lees has over 30 years experience in exploration and mine geology, much of this with a lead-zinc and copper-gold focus and exposure to diverse geological terrains. His 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	260,000 ordinary fully paid shares 500,000 options expiring 31 July 2012, exercisable at $0.25 (unlisted)

PRINCIPAL ACTIVITIES

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

OPERATION RESULTS

The Group's net loss for the year after applicable income tax was $1,352,909 (2009: $1,623,563).

REVIEW OF OPERATIONS

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

FINANCIAL POSITION

The net assets of the Company have decreased to $2,439,008 as at 30 June 2010. The major movements were due to expenditure on exploration and evaluation of mineral projects both capitalised and written off, and an increase in the payables at year end.

The Group's working capital at 30 June 2010, being current assets less current liabilities was $1,516,974 compared with working capital of $1,886,955 in 2009.

The Directors believe the Group is in a strong and stable position to expand and grow its current operations.

CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Group occurred during the financial year:

(i) Issue of 1,000,000 options at an exercise price of $0.04 exercisable between 1 December 2009 and 31 July 2014, following shareholder approval.

(ii) Issue of 100,000 options under the Employee Option Plan at an exercise price of $0.20 exercisable at any time up until 31st July 2014.

(iii) Placement to professional and sophisticated investors of 4,500,000 ordinary shares at $0.18 per share raising $810,000 (before costs).

DIRECTORS' REPORT (CONT'D)

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 30 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 2010

SHARE OPTIONS

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	2,250,000	$0.25	31 July 2012
Unlisted Options	1,000,000	$0.04	31 July 2014
Unlisted Options	100,000	$0.20	31 July 2014

During the year 1,100,000 options were issued, including 1,000,000 following shareholder approval at the Company's Annual General Meeting. At 30 June 2010, 3,350,000 options were on issue.

Refer to the note 28 to the financial statements for details and valuation of options granted

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the company.

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' REPORT (CONT'D)

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, 6 Board meetings were held.

DIRECTORS	BOARD OF DIRECTORS	
	HELD	ATTENDED
Mr T Eadie	6	6
Mr A Campbell	6	6
Mr T Lees	6	6

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*. There were no non-audit services provided by the Company's auditor during the year to 30 June 2010.

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 15.

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). 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 a 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

DIRECTORS' REPORT (CONT'D)

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 Directors 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 are all entitled to participate in the ESOP.

Australian-resident Executives or Directors receive superannuation of 10% of their salaries, and do not receive any other retirement benefits (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 is currently 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 member of staff'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.

DIRECTORS' REPORT (CONT'D)

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 (September 2007) to June 2010.

	30/06/2010	30/06/2009	30/06/2008
Revenue	68,872	117,293	209,712
Net profit/(loss) before tax	(1,352,909)	(1,623,563)	(1,295,354)
Net profit/(loss) after tax	(1,352,909)	(1,623,563)	(1,295,354)
Share price at start of year	$0.033	$0.090	$0.180
Share price at end of year	$0.100	$0.033	$0.090
Basic earnings per share	(4.18)	(5.41)	(4.99)
Diluted earning per share	(3.81)	(5.02)	(4.99)

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)

The remuneration for each Key Management Personnel of the Company during the year was as follows:

Details of Remuneration for the year ended 30 June 2010

	Short-term employment benefits	Post-employment	Equity		
	Salary, Fees and Commissions $	Superannuation Contribution $	Shares Received as Compensation $	Options Received as Compensation $	Total $
Directors					-
Mr T Eadie	43,200	11,820	-	-	55,020
Mr A Campbell	155,283	22,917	-	15,200	193,400
Mr T Lees	39,500	3,950	-	-	43,450
Executives					-
Mr D Ogg	60,000	-	-	-	60,000
	297,983	**38,687**	**-**	**15,200**	**351,870**

No Key Management Personnel appointed during the period received a payment as part of his consideration for agreeing to hold the position.

DIRECTORS' REPORT (CONT'D)

Options Issued as Part of Remuneration for the Year Ended 30 June 2010

Employee share option plan

Syrah Resources Limited operates an ownership-based scheme for executives and senior employees of the consolidated entity. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase parcels of ordinary shares at an exercise price determined by the Board. Each employee share option converts into one ordinary share of Syrah Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is determined by the Board.

The purpose of the plan is to provide eligible employees with an incentive to remain with the Company and to improve the longer term performance of the Company and its return to shareholders. It is intended that the plan will enable the Company to retain and attract skilled and experienced employees and provide them with the motivation to make the Company more successful.

During the financial year, the following share-based payment arrangements were in existence:

Options series	Grant date	Expiry date	Grant date fair value	Vesting date
Issued 20 September 2007	20/09/2007	31/07/2012	0.07	Vests at date of grant
Issued 13 November 2009	24/06/2009	31/07/2014	0.02	Vests at date of grant
Issued 14 October 2009	14/10/2009	31/07/2014	0.11	Vests at date of grant

There are no further service or performance criteria that need to be met in relation to options granted before the beneficial interest vests in the recipient.

The followings grants of share-based payment compensation to directors, senior management, and consultants relate to the current financial year.

		During the financial year				
Name	**Option series**	**No. granted**	**No. vested**	**% of grant vested**	**% of grant forfeited**	**% of compensation for the year consisting of options**
Mr A Campbell	13/11/2009	1,000,000	1,000,000	100%	n/a	7.86%
Mr M Ware	14/10/2009	100,000	100,000	100%	n/a	N/A

DIRECTORS' REPORT (CONT'D)

The following table summarises the value of options granted, exercised or lapsed during the year for directors and senior management:

	Value of options granted at the grant date (i) $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse $
A Campbell	15,200	-	-
M Ware	10,630	-	-

(i) 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.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2010.

There were no shares issued as part of remuneration during the year ended 30 June 2010. As such there will be no impact on remuneration in the current or future periods.

Details of Remuneration for Year Ended 30 June 2009

The remuneration for each Key Management Personnel of the Company during the year was as follows:

	Short-term employment benefits	Post-employment	Equity		
	Salary, Fees and Commissions $	Superannuation Contribution $	Shares Received as Compensation $	Options Received as Compensation $	Total $
Directors					-
Mr T Eadie	15,200	36,280	-	-	51,480
Mr A Campbell	147,000	50,000	-	-	197,000
Mr T Lees	62,500	6,250	-	-	68,750
Executives					-
Mr D Ogg	65,000	-	-	-	65,000
Mr D Louwrens	86,183	8,618	-	-	94,801
	375,883	**101,148**	**-**	**-**	**477,031**

No Key Management Personnel 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 2009

There were no options issued as part of remuneration during the year ended 30 June 2009. As such there will be no impact on remuneration in the current or future periods.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no shares issued as part of remuneration during the year ended 30 June 2009. As such there will be no impact on remuneration in the current or future periods.

DIRECTORS' REPORT (CONT'D)

Employment contracts

The Chairman, Mr Tom Eadie is employed under contract. The employment contract commenced on 1 April 2009 and has no fixed term. Under the terms of the present contract:

- Mr Eadie may resign from his position and thus terminate this contract by giving 30 days written notice
- The Company may terminate this employment contract by giving 3 months written notice.
- The Company may terminate the contract at any time without written notice if serious misconduct has occurred.
- On termination, Mr Eadie will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The Managing Director, Mr A Campbell, is employed under contract. The employment contract commenced on 1 April 2009 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 30 days 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.
- 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 employment contract commenced on 1 April 2009 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 30 days 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.
- On termination of the agreement, Mr Lees 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, 13 September 2010

LeydinFreyer
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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 year ended 30 June 2010, 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

13 September 2010

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 attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and consolidated entity;
c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
d) 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, 13 September 2010

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SYRAH RESOURCES LIMITED

We have audited the accompanying financial report of Syrah Resources Limited, and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidate statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors declaration of the entity. The consolidated entity comprises the company and entities it controlled at the year's end or from time to time during the financial year.

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 3, the Directors also state, in accordance with Accounting Standard AASB101: Presentation of Financial Statements, that compliance with Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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

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

Independence

In conducting our audit, we followed applicable independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act 2001 has been provided to the directors of Syrah Resources Limited.

Auditor's opinion

In our opinion:

(a) the financial report of Syrah Resources Limited is in accordance with the Corporations Act 2001, including:

(i) gives a true and fair view of the Consolidated entity's financial position as at 30 June 2010 and of their 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;

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the report of the directors for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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 2010, complies with s 300A of the Corporations Act 2001.

Yours faithfully

MELANIE J LEYDIN
Registered Company Auditor
Registration: 212298

13 September 2010

SYRAH RESOURCES LIMITED
ABN 77 125 242 284

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Continuing Operations			
Interest revenue	5	68,872	117,293
Administrative Expenses		(501,986)	(134,572)
Employment Expenses		(353,220)	(472,533)
Depreciation and amortisation	6	(5,063)	(4,889)
Exploration costs written off		(561,512)	(1,128,862)
Loss Before Tax	6	(1,352,909)	(1,623,563)
Income tax expense	7	-	-
Loss for the year from continuing operations		**(1,352,909)**	**(1,623,563)**
Other comprensive income		-	-
Total comprehensive income for the period		(1,352,909)	(1,623,563)
Loss attributable to			
Owners of the company		(1,352,909)	(1,623,563)
Total comprehensive income attributable to			
Owners of the company		(1,352,909)	(1,623,563)

		Cents per Share	Cents per Share
Loss per share from continuing operations			
Basic loss (cents per share)	27	(4.18)	(5.41)
Diluted loss (cents per share)	27	(3.81)	(5.02)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010 $	2009 $
Current Assets			
Cash and cash equivalents	10	1,780,142	1,913,168
Trade and other receivables	11	24,165	8,795
Total Current Assets		1,804,307	1,921,963
Non-Current Assets			
Plant and equipment	12	5,978	464,727
Exploration and evaluation assets	13	923,136	1,091,428
Intangible assets	14	-	3,421
Other non-current assets	16	-	7,500
Total Non-Current Assets		929,114	1,567,076
Total Assets		2,733,421	3,489,039
Current Liabilities			
Trade and other payables	17	269,887	21,956
Provisions	18	17,446	13,012
Total Current Liabilities		287,333	34,968
Non-Current Liabilities			
Provisions	18	7,080	3,189
Total Non-Current Liabilities		7,080	3,189
Total Liabilities		294,413	38,157
Net Assets		**2,439,008**	**3,450,882**
Equity			
Capital and reserves			
Issued Capital	19	6,514,354	5,736,754
Reserves	20	178,755	152,925
Accumulated losses		(4,254,101)	(2,901,192)
Equity attributable to owners of the Company		2,439,008	2,988,487
Total Equity		**2,439,008**	**2,988,487**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital	Retained Earnings	Options Reserve	Total
	Note 19		Note 20	
Balance as at 1 July 2008	5,736,754	(1,295,354)	170,650	4,612,050
Loss for the year	-	(1,623,563)	-	(1,623,563)
Other comprenhensive income for the year	-	-	-	-
Total comprenhensive income for the year	-	(1,623,563)	-	(1,623,563)
Lapse of Options		17,725	(17,725)	-
Balance as at 30 June 2009	**5,736,754**	**(2,901,192)**	**152,925**	**2,988,487**

	Issued Capital	Retained Earnings	Options Reserve	Total
	Note 19		Note 20	
Balance as at 1 July 2009	5,736,754	(2,901,192)	152,925	2,988,487
Loss for the year	-	(1,352,909)	-	(1,352,909)
Other comprenhensive income for the year	-	-	-	-
Total comprenhensive income for the year	-	(1,352,909)	-	(1,352,909)
Issue of Options	-	-	25,830	25,830
Issue of Shares	810,000	-	-	810,000
Costs of Capital Raising	(32,400)	-	-	(32,400)
Balance as at 30 June 2010	**6,514,354**	**(4,254,101)**	**178,755**	**2,439,008**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Interest Received		68,872	122,667
Payments to suppliers and employees		(847,051)	(609,571)
Net cash used in operating activities	25.1	(778,179)	(486,904)
Cash flows from investing activities			
Payments for exploration development expenditure		(134,659)	(443,237)
Payment for plant and equipment		457,107	-
Refund of security deposits on tenements		7,500	-
Net cash used from investing activities		329,948	(443,237)
Cash flows from financing activities			
Proceeds from issue of equity securities		810,000	-
Payment for share issue costs		(32,400)	-
Net cash flows from financing activites		777,600	-
Net (Decrease)/Increase in cash and cash equivalents		329,369	(930,141)
Cash and cash equivalents at beginning of the financial year		1,913,168	2,843,309
Cash and cash equivalents at the end of the financial year	10	2,242,537	1,913,168

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

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Syrah Resources Limited (the Company) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in the Directors Report.

2. Adoption of new and revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

Standards affecting presentation and disclosure

AASB 101 *Presentation of Financial Statements* (as revised in September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*	AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 8 *Operating Segments*	AASB 8 is a disclosure Standard that has resulted in the Company reconsidering its reportable segments (see note 23).
AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
Amendments to AASB 107 *Statement of Cash Flows* (adopted in advance of effective date of 1 January 2010)	The amendments (part of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Standards and Interpretations affecting the reported results or financial position

There have been no standards introduced during the year which have affected the reported results or financial position.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	In addition to the changes affecting amounts reported in the financial statements described at 2.1 above, the amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.
AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	The amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2.3 Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 January 2010	30 June 2011
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	30 June 2011
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	30 June 2011
AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 13 September 2010.

3.2 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.

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

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 Revenue recognition

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

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

3.5 Employee 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 short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.6 Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28.

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 Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. No amounts have been recognised in the financial statements in respect of other equity-settled shared-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.7.1 Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated [statement of comprehensive income/income statement] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.7.2 Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.7.3 Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Additional information on accounting policies shall be included where the entity has other material tax balances not covered by the above analysis, such as in relation to tax deductible share-based payments.

3.8 Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straightline method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.9 Intangible assets

3.9.1 Intangible assets acquired separately
Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3.10 Impairment of tangible and Intangible assets excluding goodwill

At the end of each reporting period, the Group 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 it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cashgenerating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 the end of the reporting period, 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.

3.12 Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.12.1 <u>Effective interest method</u>
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.12.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 26.4.

3.12.3 Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

3.12.4 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.12.5 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3.13 Financial liabilities and equity instruments issued by the Group

3.13.1 Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.13.2 Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3.14 Goods and services tax

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

i. 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
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority 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 within operating cash flows.

3.15 Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites/wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3.16 Exploration and evaluation

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 development.

3.17 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.1.1 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Useful Life of Assets

The estimation of the useful lives of plant and equipment has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and software developers' support and maintenance programs (operating computer software and intangible computer software). Adjustments to useful lives are made when considered necessary and reviewed at each balance date as stated in Note 3.8. Depreciation and amortisation charges as well as estimated lives are included in Notes and 12 and 14.

4.1.2 Impairments

Impairment losses have been recognised in relation to a number of tenements because the carrying amount of the asset was unlikely to be recovered from successful development

4.1.3 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.

	2010 $	2009 $
5. REVENUE		
Revenue from continuing operations consisted of the following items		
Interest revenue - bank deposits *	68,872	117,293

* this represents total interest income for financial assets that are not designated as at fair value through the profit and loss

6. PROFIT/(LOSS) FROM OPERATIONS

Loss before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations

	2010 $	2009 $
6.1 Depreciation and amortisation of non-current assets:		
- Plant and equipment	1,642	1,319
- Software	3,421	3,570
	5,063	**4,889**
6.2 Employee benefits expense		
Post employment benefits - Defined contribution plans	38,687	101,148
Share based payments:		
- Equity settled share based payments	15,200	-
Charges to provisions:		
- Employee entitlements	8,325	(3,200)
6.3 Operating lease payments:		
- Office lease	10,296	11,232

7. INCOME TAXES

7.1 The components of tax expense comprise:

	2010 $	2009 $
Current Tax	-	-
Deferred Tax	-	-
Total tax expense / (income)	-	-

7.2 The prima facie income tax from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2010 $	2009 $
Profit / (loss) from Operations	**(1,352,909)**	**(1,623,563)**
Income tax expense (income) calculated at 30% (2009 :30%)	(405,873)	(487,069)
Add:		
Tax Effect of:		
Non-deductible expenses	37,155	7,288
Share based payments	4,560	402
Exploration costs written off (accounting)	168,454	341,313
Net prior year adjustment	-	7,956
Unused tax losses not recognised as deferred tax assets	358,922	243,013
Net interest	(1,284)	1,490
Capital raising costs	(39,108)	(28,968)
Other deductible expenses	(4,860)	(8,820)
Deductible exploration expenditure	(117,966)	(76,605)
Income tax expense	-	-

Deffered tax assets not brought to account as assets:

	2010 $	2009 $
- Temporary differences	112,488	125,366
- Tax losses (revenue of operating losses after deduction of DTL)	324,995	203,115
	437,483	328,481

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

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

8. KEY MANAGEMENT PERSONNEL

8.1 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.

	2010 $	2009 $
Short-term employment benefits	297,983	375,883
Post-employment benefits	38,687	101,148
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	15,200	-
	351,870	**477,031**

8.2 Options holdings by Key Management Personnel or their nominees for 2010 financial year

	Balance 1.7.2009	Granted as Compensation	Net Change Other	Balance 30.6.2010	Options Vested	Vested but not exercisable	Vested and exercisable
Mr T Eadie	500,000	-	-	500,000	500,000	-	500,000
Mr A Campbell	1,000,000	1,000,000	-	2,000,000	2,000,000	-	2,000,000
Mr T Lees	500,000	-	-	500,000	500,000	-	500,000
Mr D Ogg	250,000	-	-	250,000	250,000	-	250,000
	2,250,000	**1,000,000**	**-**	**3,250,000**	**3,250,000**	**-**	**3,250,000**

8.3 Options holdings by Key Management Personnel or their nominees for 2009 financial year

	Balance 1.7.2008	Granted as Compensation	Net Change Other	Balance 30.6.2009	Options Vested	Vested but not exercisable	Vested and exercisable
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 Lowrens (1)	250,000	-	(250,000)	-	-	-	-
	2,500,000	**-**	**(250,000)**	**2,250,000**	**2,250,000**	**-**	**2,250,000**

(1) Mr D Louwrens ceased employment during the year and his options lapsed.

8.4 Shareholdings by Key Management Personnel or their nominees for 2010 financial year

	Balance 1.7.2009	Received as Compensation	Net Change Other	Balance 30.6.2010	Balance held nominally at 30.6.2010
	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	260,000	-	-	260,000	260,000
Mr D Ogg	100,000	-	400,000	500,000	500,000
	11,285,005	**-**	**400,000**	**11,685,005**	**11,260,005**

8. KEY MANAGEMENT PERSONNEL (CONT'D)

8.5 Shareholdings by Key Management Personnel or their nominees for 2009 financial year

	Balance 1.7.2008	Received as Compensation	Net Change Other	Balance 30.6.2009	Balance held nominally at 30.6.2009
	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	-	200,000	260,000	260,000
Mr D Ogg	100,000	-	-	100,000	100,000
Mr D Louwrens (1)	10,000	-	(10,000)	-	-
	11,095,005	**-**	**190,000**	**11,285,005**	**10,860,005**

(1) D Louwrens ceased employment during the year.

	2010 $	2009 $
9. AUDITORS REMUNERATION		
Auditor		
Leydin Freyer Audit - Melanie Leydin		
Auditing or reviewing the financial report	21,500	19,500
	21,500	**19,500**
10. CASH AND CASH EQUIVALENTS		
Cash on hand	10,578	2,578
Cash at bank	1,769,564	1,910,590
	1,780,142	**1,913,168**
11. TRADE AND OTHER RECEIVABLES		
Current		
Goods and services tax recoverable	15,345	4,253
Interest Receivable	8,820	4,542
	24,165	**8,795**
12. PLANT AND EQUIPMENT		
Plant and equipment - at cost	9,834	0
Less: Accumulated Depreciation	(3,856)	464,727
	5,978	**464,727**
Movement in carrying value of plant and equipment		
Opening carrying value	2,332	3,651
Additions	5,288	-
Depreciation expense	(1,642)	(1,319)
Closing carrying value	**5,978**	**2,332**

The following useful lives have been used in the calculation of depreciation:-

Plant and equipment 3-5 years

	2010 $	2009 $

13. EXPLORATION AND EVALUATION ASSETS

	2010 $	2009 $
Exploration and evaluation assets	**923,136**	**1,091,428**
Movement in exploration and evaluation assets		
Opening carrying value	1,091,428	1,777,053
Expenditure during the year (1)	393,220	443,237
Written off expenditure (2)	(561,512)	(1,128,862)
Closing carrying value	**923,136**	**1,091,428**

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 $134,659 has been included in cash flows from investing activities in the cash flow statement. The difference between the expenditure for the year above can be explained predominantly by one amount of $US 200,000 included in creditors at 30 June 2010.

(2) The written off expenditure of $561,512 relates to:-

- General exploration written off following relinquishment of Australian tenements;
- Write off of expenditure incurred in Saudi Arabia, because it has been deemed too preliminary to be capitalised

14. INTANGIBLES ASSETS

	2010 $	2009 $
Software	8,924	8,924
Less: Accumulated Amortisation	(8,924)	(5,503)
	-	**3,421**
Reconciliation of Intangibles		
Carrying amount at beginning of the year	3,421	6,991
Amortisation expense	(3,421)	(3,570)
Carrying amount at end of the year	**-**	**3,421**

The following useful lives have been used in the calculation of amortisation:-

Software	3 years

15. SUBSIDIARIES

Name of Company	Country of Incorporation	Ownership Interest 2010	Ownership Interest 2009
Subsidiaries			
Syrah Resources (KSA) Pty Ltd (i)	Australia	100%	-

(i) This company was incorporated as a 100% owned subsidiary on 19th December 2009.

	2010 $	2009 $
16. OTHER NON CURRENT ASSETS		
Deposits paid	**-**	**7,500**

17. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Current		
Trade payables	13,450	4,173
Sundry payables and accrued expenses	256,437	17,783
	269,887	**21,956**

The group has financial risk management policies in place to ensure that all payables are paid within credit terms

18. PROVISIONS

	2010 $	2009 $
Current		
Provision for employee entitlements	**17,446**	**13,012**
Non-Current		
Provision for employee entitlements	**7,080**	**3,189**

(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 3 of this report.

19. ISSUED CAPITAL

	2010 $	2009 $
34,500,005 (2009: 30,000,005) fully paid ordinary shares	**6,514,354**	**5,736,754**

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 the 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.

19.1 Fully paid ordinary shares

	No. of Shares	$
Balance at 1 July 2008	30,000,005	5,736,754
Issue of Shares	-	-
Balance at 30 June 2009	**30,000,005**	**5,736,754**
Balance at 1 July 2009	30,000,005	5,736,754
Issue of Shares	4,500,000	810,000
Less capital cost of raising	-	(32,400)
Balance at 30 June 2010	**34,500,005**	**6,514,354**

19. ISSUED CAPITAL (CONT'D)

19.2 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.

19.3 Share Options

Syrah Resources Limited has the following unlisted options on issue at 30 June 2010:

2,250,000 options at an exercise price of $0.25 exercisable on or before 31 July 2012.
1,000,000 options at an exercise price of $0.04 exercisable on or before 31 July 2014.
100,000 options at an exercise price of $0.20 exercisable on or before 31 July 2014.

	2010 No.	2009 No.
Balance at beginning of the financial year	2,250,000	2,500,000
Granted during the financial year	1,100,000	-
Lapsed during the financial year	-	(250,000)
Balance at end of the financial year	**3,350,000**	**2,250,000**

Each option entitles the holder to subscribe for one ordinary share in Syrah Resources Limited upon the payment of the exercise price. 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.

20. RESERVES

	2010 $	2009 $
Equity settled employee benefits reserve	**178,755**	**152,925**

Option Reserve

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

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

- 1,000,000 options to directors valued at $0.01520 per option.
- 100,000 options to a consultant valued at $0.10630 per option.

There were no options issued in the prior year.

Details of the option valuations are included in Note 28.

20. OPTIONS RESERVE (CONT'D)

	2010 $	2009 $
Movements in option reserve		
Balance at beginning of the financial year	152,925	170,650
Share based payments	25,830	-
Lapsed and transferred to retained earnings	-	(17,725)
Balance at end of the financial year	**178,755**	**152,925**

21. DIVIDENDS

There were no dividends paid in the 2009 or 2010 financial years.

22. COMMITMENTS FOR EXPENDITURE

Exploration Tenements - Commitments for Expenditure

In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the State Mines 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	188,750	853,320
Later than one year but not later than five	-	1,334,765
Later than five years	-	-
	188,750	**2,188,085**

Syrah Resources Ltd has signed a joint venture agreement in relation the tenements included above and the their joint venture partner is contractually obliged to meet these commitments.

23. SEGMENT INFORMATION

The company operated predominately as an explorer for base and precious metals, with an emphasis on copper and gold exploration within Australia and Saudi Arabia.

The group has adopted AASB 8 Operating Segments with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the company as a whole in the business segment of mineral exploration within Australia. This segment reporting was previously reported under AASB 114 as Primary Reporting – Business Segments and its segment analysis has been continued for the current year.

Upon the adoption of AASB, there has been no change to the reportable segments. The Group has therefore not changed any reporting for the previous corresponding period. Syrah Resources Limited operates in the mineral exploration industry within Australia and Saudi Arabia.

24. 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.

- Inkprintz Pty Ltd, a company associated with the wife of Mr Tom Eadie, received fees of $22,601 (2009: $14,062).

Transactions with Director Related Entities

- The Company paid rent of $11,232 (2009: $12,168) to Copper Strike Limited, a company associated with Mr Tom Eadie and Mr Terry Lees under a sub-lease agreement.

- Copper Strike paid rental on the Norfolk tenements of $9,594 during the 2009 financial year as these tenements were registered with the Queensland Department of Mines and Energy in Copper Strike's name but had been sold to the Company. The tenements were subsequently registered in the Company's name and this debt was repaid to Copper Strike prior to 30 June 2009.

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 15 to the financial statements.

25. NOTES TO THE STATEMENT OF CASH FLOWS

25.1 Reconciliation of Net Profit/(Loss) from ordinary activities after related income tax to net cash flows from operating activities	**2010 $**	**2009 $**
Operating Profit/(Loss) after income tax	(1,352,909)	(1,623,563)
Less: Non-cash activities:		
Depreciation and amortisation of non-current assets	5,063	4,889
Share based payments expense	15,200	-
Annual Leave provision	8,325	(3,201)
Exploration costs written off	561,512	1,128,862
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(15,370)	32,755
(Increase)/Decrease in liabilities		
Current payables	-	(26,646)
Net Cash used in operating activities	**(778,179)**	**(486,904)**

25.2 Financing Facilities

The Company has a credit card facility of $20,000. At 30 June 2010 this facility was entirely unused. The company has a $20,000 term deposit in place as a security against this facility.

25.3 Non-cash transactions

There were no non-cash investing and financing activities during the financial year.

26. 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.

26.1 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 tables set out the carrying amount by maturity of the Company financial assets and liabilities and exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount	
		2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
Financial Assets							
Cash at bank	10	1,769,464	1,910,590	10,678	2,578	1,780,142	1,913,168
Trade and other Receivables	11	-	-	24,165	8,795	24,165	8,795
Security Deposits	16	-	-	-	7,500	-	7,500
Total		**1,769,464**	**1,910,590**	**34,843**	**18,873**	**1,804,307**	**1,929,463**
Weighted average interest rate		3.73%	5.72%				
Financial Liabilities							
Trade and other payables	17	-	-	269,887	21,956	269,887	21,956
Total		**-**	**-**	**269,887**	**21,956**	**269,887**	**21,956**
Net Financial Assets (liabilities)		**1,769,464**	**1,910,590**	**(235,044)**	**(3,083)**	**1,534,420**	**1,907,507**

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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.

26.2 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 2010	30 June 2009
Current Assets	1,804,307	1,921,963
Current Liabilities	287,333	34,968
Surplus/(Deficit)	**1,516,974**	**1,886,995**

26.3 Commodity price risk

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

26.4 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 11 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 Consolidated Statement of Financial Position is generally the carrying amount.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

26.5 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 2009 or are anticipated to be paid in 2010.

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.

	2010 Cents Per Share	2009 Cents Per Share
27. EARNINGS / (LOSS) PER SHARE		
Basic (loss) per share	(4.18)	(5.41)
Diluted (loss) per share	(3.81)	(5.02)

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	(1,352,909)	(1,623,563)

	2010 No.	2009 No.
Weighted average number of ordinary shares for basic earnings / (loss) per share	32,361,269	30,000,005
Weighted average number of ordinary shares for diluted earnings / (loss) per share	35,542,862	32,364,389

28. SHARE BASED PAYMENTS

28.1 Employee share options plan

Employee share option plan

Syrah Resources Limited operates an ownership-based scheme for executives and senior employees of the consolidated entity. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase parcels of ordinary shares at an exercise price determined by the Board. Each employee share options converts into one ordinary share of Syrah Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is determined by the Board.

The purpose of the plan is to provide eligible employees with an incentive to remain with the Company and to improve the longer term performance of the Company and its return to shareholders. It is intended that the plan will enable the Company to retain and attract skilled and experienced employees and provide them with the motivation to make the Company more successful.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Grant date	Expiry date	Grant date fair value	Vesting date
Issued 20 September 2007	20/09/2007	31/07/2012	0.07	Vests at date of grant
Issued 13 November 2009	24/06/2009	31/07/2014	0.02	Vests at date of grant
Issued 14 October 2009	14/10/2009	31/07/2014	0.11	Vests at date of grant

28.2 Fair value of share options granted in year

During the current year the Company issued 1,000,000 options to a Director, exercisable at $0.04 and expiring 31 July 2014. The options having been valued using the Black Scholes methodology at $0.01520. The following variables were used in this calculation:

Share price	$0.034
Risk free interest rate	5.25%
Volatility	98%
Maturity	5 years
Discount factor	25%

During the current year the Company issued 100,000 options to a consultant exercisable at $0.20 and expiring 31 July 2014. The options having been valued using the Black Scholes methodology at $0.10630. The following variables were used in this calculation:

Share price	$0.19
Risk free interest rate	5.255
Volatility	98%
Maturity	4.75 years
Discount factor	25%

29. PARENT ENTITY INFORMATION

	2010 $	2009 $
Current assets	1,805,049	1,921,963
Total assets	2,734,163	3,489,039
Current liabilities	287,333	34,968
Total liabilities	294,413	38,157
Issued capital	6,514,354	5,736,754
Options reserve	178,755	152,925
Retained earnings	(4,253,359)	(2,901,192)
Total shareholders' equity	2,439,750	2,988,487
Loss for the year	(1,352,167)	(1,623,563)
Total comprensive income for the year	(1,352,167)	(1,623,563)

Syrah Resources Ltd has not provided any guarantees in relation to it subsidiares. The consolidated disclosures made in relation to guarantees, contingent liablilities and capital commitments all relate to the parent, and therefore it is not necessary to disclose them seperately.

30. EVENTS AFTER THE BALANCE SHEET DATE

After year end the exploration lease for EL 3550 was renewed by PIRSA. As a consequence, under the joint venture agreement with Zurich Resources Pty Ltd a 50% ownership interest in EL 3550 will be transferred to Zurich.

31. SCHEDULE OF MINING AND EXPLORATION TENEMENTS AS AT 30 JUNE 2010

Project Name	Locality	Tenement	Equity
Lyndhurst	South Australia	Exploration Licence 3522	100%
Lyndhurst South	South Australia	Exploration Licence 3550	100%

* Zurich Resources Pty Ltd is earning 50% ownership with agreed expenditure commitments on both tenements

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 10th August 2010.

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	36	416	0.00%
1,001 - 5,000	33	120,093	0.35%
5,001 - 10,000	168	1,641,876	4.76%
10,001 - 100,000	184	7,703,107	22.33%
100,001 and over	45	25,034,513	72.56%
Total	**466**	**34,500,005**	**100.00%**

(b) There are 69 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 orindary shares are listed below:

SHAREHOLDER	HOLDING	%
Copper Strike Ltd	9,000,005	26.09%
Royalco Resources Ltd	1,600,000	4.64%
Gasmere Pty Ltd	1,464,065	4.24%
Fonomes Pty Ltd	1,003,000	2.91%
Finance Assoc Pty Ltd	977,778	2.83%
Chiodo Carlo	957,569	2.78%
Dyspo Pty Ltd	823,000	2.39%
Ergun Koksal	572,160	1.66%
Equity Ttees Ltd	555,556	1.61%
Sydney Equities Pty Ltd	425,701	1.23%
David Ogg & Associates Pty Ltd	400,000	1.16%
Aggregated Cap Pty Ltd	400,000	1.16%
Miles Neville	400,000	1.16%
Edna Sec Pty Ltd	379,000	1.10%
Gulbenkian Vartan	334,000	0.97%
Kennett Stanley Evan	300,000	0.87%
Montycorp Pty Ltd	294,500	0.85%
Hawthorn Grove Inv Pty Ltd	281,333	0.82%
Higgs Geoff	260,000	0.75%
Lees Terry + Allan	260,000	0.75%
TOTAL	**20,687,667**	**59.96%**

ADDITIONAL SHAREHOLDER INFORMATION (CONT'D)

3. Restricted Securities

As at 10th August 2010, the Company had no restricted securities subject to escrow arrangement. During the year, the following were released from escrow:

Security	No	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 10th August 2010, the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
Copper Strike Limited	9,000,005	26.09%

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 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. 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 March 2009, 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 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 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 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 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 Non-Executive 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.