



**Steady progress to battery anodes?**

<b>Company/ASX Code</b>	Syrah Resources/SYR
<b>AGM date</b>	Friday 24 May 2018
<b>Time and location</b>	10am RACV Club Level 2 Bourke Rooms 4A & 4B, 501 Bourke St, Melbourne VIC
<b>Registry</b>	Computershare
<b>Webcast</b>	No
<b>Poll or show of hands</b>	TBA
<b>Monitor</b>	Duncan Seddon
<b>Pre AGM Meeting?</b>	A meeting was held in early April with the chair and the chief legal officer and the manager of investor relations.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Financial performance The company is still in the development phase with the prime aim of the company to bring into operation the Balama graphite mine in Mozambique and a battery anode facility in Louisiana. The graphite mine has now been declared commercial and is producing graphite for testing and export. However, a plant fire slowed progress over the past year and forced the company into a capital raising. The development of the battery anode facility is now progressing with a site found and product being produced for testing. The company has considerable cash reserves of over US\$70m.

Key events: A capital raising to institutional investors was made for working capital purposes and assist in reconstruction following the Balama fire. This was followed by share purchase plan to allow retail shareholders to participate in the capital raising to some extent.

Key Board or senior management changes

Stefano Giorgini a former BHP executive who joined the board last year resigned in December for personal reasons. Christina Lampe-Onnerud has also resigned from the board but this was due to the close relationship being developed between her advisory group and the company covering development of the battery graphite plant in Louisiana. Lisa Bahash joined the board in July 2018 and is up for election at the AGM.

ASA focus issues Capital raising has been by placement to institutional investors which we oppose but we are pleased that this was followed by a share placement plan for smaller investors.

Apart from the chairman, most of the non-executive directors (NED's) have little shareholding value in the company. This has been exacerbated in the 2018 year by the fall in the share price. Nevertheless we would wish to see the company have policy of requiring NEDs to accumulate shares to a value of their annual fees over a four to five year period.

### **Summary (note US\$)**

(US\$ at FYE)	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
NPAT (US\$m)	-30.098	-5.666	-18.388	-2.2
Share price (A\$)	1.33	3.90	2.81	2.85
Dividend (cents)	0	0	0	0
TSR (%)	-66.6	49.3	-21.8	6.4
EPS (US cents)	-13	-5.8	-8.0	-2.0
CEO total remuneration actual (US\$m)	0.934	0.904	1.130*	NA

\*CEO served 9 months only

The CEO's total actual remuneration was **16 times** the Australian Full time Adult Average Weekly Total Earnings (based on [November 2018] data from the Australian Bureau of Statistics).

<b>Item 1</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

The company is a development company and does not make any money. As with other companies of this type the remuneration methods are somewhat different with options being granted to both employees and directors. This reduces cash outlays, preserving cash for the development actions of the company. Relative to other companies of similar capitalisation the cash remuneration of executives and directors is low. Apart from this practice, the remuneration methodology is satisfactory. We would like to see a table of actual outcomes in the report.

<b>Item 2</b>	<b>Election of Ms Lisa Bahash as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Lisa Bahash is an engineer and has had a career in the US automotive industry with suppliers to original engine manufacturers. She should be an asset to the board and we will support her election. She has no other directorships.

<b>Item 3</b>	<b>Re-election of Mr James Askew as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

James Askew is the company chair. He has had a broad career in the Australian mining industry. He is also chair of Oceana Gold (he will retire from this position in July) and is a director of Evolution Mining and Endeavour Mining. He was paid US\$ 138,222 and owns 107,000 shares. We will support his re-election.

<b>Item 4</b>	<b>Re-election of Sam Riggall as a Director</b>
<b>ASA Vote</b>	<b>Against</b>

#### **Summary of ASA Position**

Sam Riggall is CEO of Clean TeQ Holdings Ltd. a company heavy involved with the Chinese battery industry which should be a significant benefit for the company. Note that we do not support CEO's of one listed company becoming directors of another since this can potentially generate a serious conflict of interest. Furthermore, in five years he has only amassed 20,000 shares which in value is well below his annual fees.

He was paid US\$99,830 and owns 20,627 shares. He was first elected in 2014.

<b>Item 5</b>	<b>Approval of grant options to Ms Lisa Bahash</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The offer is for 400,000 share options at an exercise price of \$2.89 per share.

We would normally not support the grant of options to a NED due to the potential for conflict. However, this is a sign on award seen by the company as necessary because of the relatively low pay of the NED's relative to its peers.

<b>Item 6</b>	<b>Ratification of Prior Issue of Shares</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The placement of shares to "institutional and sophisticated" investors discriminates against retail shareholders effectively reducing their share in the company. The ASA is opposed to this type of fund raising. However we note that on this occasion this was followed by a share investment plan offered to the retail shareholders at large at the same price as that offered to institutional buyers, namely \$2.23/share and in this instance we will support the resolution.

<b>Item 7</b>	<b>Approval of issue of shares to Mr Shaun Verner - 2018 short-term incentive (STI)</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

It is proposed to issue 182,470 shares to Mr Verner for his 2018 STI. The STI is based 100% in shares. The shares were valued at \$1.29 each determined by a 5 day VWAP from March 7th, 2018. This is in accordance with ASA policy. The entitlement arises out of the remuneration policy, which although not ideal we have supported in the past. If this resolution is not passed the company has stated it will pay Mr Verner's \$232, 824 STI award in cash.

<b>Item 8</b>	<b>Approval to grant performance rights to Mr Shaun Verner - long term incentive (LTI)</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

The performance rights to 217,558 shares arises out of the LTI plan. The value of the shares was \$1.70 each determined by the VWAP method. The shares will vest if the company's market capitalisation rises in accordance with the LTI plan. The LTI plan is over a three year period (ASA prefers four years) from January 2019 to December 2021. The performance hurdles are based on TSR with 50% on a relative TSR to competitor companies and 50% on achieving significant absolute TSR. The ASA prefers to see LTI based on absolute TSR but will support this resolution.

<b>Item 9</b>	<b>Renewal of the proportional takeover provision</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

This is a standard provision which we generally support as it prevents partial takeover's which do not act in the interests of retail investors.

The individual involved in the preparation of this voting intention does not have a shareholding in this company.

#### ASA Disclaimer

*This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:*

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

*This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.*