



2020 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

Syrah Resources Limited (ASX: SYR) ("Syrah" or "Company") provides a copy of the Chairman's Address, which will be delivered at the Company's Annual General Meeting today.

ADDRESS BY THE CHAIRMAN, JIM ASKEW

Good morning and welcome to Syrah Resources' Annual General Meeting. I would like to begin by thanking you for joining us remotely today, in what are extraordinary circumstances. The impacts of the COVID-19 virus have been far-reaching, and despite improvements here in Australia, are still disrupting operations and markets around the world. We will return to some of the challenges when Shaun Verner addresses the meeting at the conclusion of formal proceedings.

Syrah's commitments to health, safety, environment and community, has seen us prioritise the response to the COVID-19 outbreak in a manner which protects the health and well-being of our employees, maintains asset integrity, and preserves our relationship with the communities and governments where we operate.

During 2018 and 2019, Syrah's primary focus has been on establishing products from Balama in key markets and geographies – the most important of those being the active anode material market, and China. Balama product quality had strong market acceptance through 2019 with more than 160,000 tonnes sold, of which greater than 75% went into China. During 2019 China transitioned from a net exporter to a net importer of natural graphite, primarily driven by Lithium-Ion battery demand.

The other major focus of the Company during 2019 was on continuous operational improvement at Balama – on both operating metrics and cost. Significant operational progress was made at Balama with the ongoing embedding of operational management systems and processes that improved plant reliability, process control and product quality, and optimised outbound logistics. Balama continued to embed and mature its governance processes in-line with the Company's Risk Management Framework and Crisis and Emergency Management Procedures.

Although Balama was positioned for continued production ramp-up, natural graphite market demand was lower than expected during H2 2019, primarily due to lower year-on-year Electric Vehicle ("EV") sales growth in China following the reduction in supportive market subsidies. The weaker than expected demand in 2019 caused a market imbalance in the third quarter, resulting in downward pressure on global natural graphite prices and led to the decision to moderate production at Balama and undertake a companywide cost restructure in the last quarter of the year. Subsequently, the impacts of COVID 19 on global supply chains and end user demand has compounded the challenging market conditions initially observed in Q3 2019.

Despite the short-term head winds in EV end market demand, significant growth in this market over the longer term is expected. The market is going through a major supply and pricing evolution, a process that has overlapped with significant supply and demand impacts of COVID 19. Syrah has developed hard-won, deep operating and market knowledge over recent years – experience while difficult to gain

was not available outside China prior to commencement of operations at Balama. The team is highly aware of the challenge that investors have faced, and they are vigilantly working to navigate these difficult market conditions in a way that best preserves and develops long term shareholder value. The Company is well placed to work through and adapt during this period, and more importantly emerge as a stronger business with a lower cost base and a deep and sustainable market position.

Approval by shareholders for a Convertible Note and the completion of an associated equity issue during 2019, which were undertaken with the ongoing and strong support from Syrah's major shareholder AustralianSuper, has positioned Syrah's balance sheet well to navigate near term market challenges in an orderly manner.

Despite a period of challenging market conditions and significant operational change, Syrah continued a very positive experience in Mozambique. The company has not wavered in its commitment to be a constructive corporate citizen to the benefit of the host communities and the National Government. Even with the challenges faced in the market, Syrah ensured that the cost restructure initiated in Q4 2019 was executed in-line with the company's core values and preserved existing Environmental Social and Governance ("ESG") best practices. We are proud of our safety record, which combined with our environmental and community initiatives underpin our license to operate.

Syrah's development of Balama envisioned a multi-generational asset, and there is no doubt that assessing management performance through the last year has been challenging, given the market circumstances and structural factors around the asset size and initial cost base. Despite the significant progress in operating and market experience as Syrah became the largest high quality integrated natural graphite producer globally, the Board took a very clear view that the Corporate key performance indicators (KPIs) that had been set at the beginning of 2019 were not met in respect of:

- Balama Production volume & Cost; and
- Sales Volume and Price.

Accordingly, there was no award against these KPIs.

At the same time, strong performance was seen from the team in the critical long-term areas of

- Sustainability (HSSEC)/Compliance & Governance;
- BAM development; and
- Cost & Capital Management.

And performance against these KPIs was recognised, along with strong performance against personal KPI's.

The Executive Team was significantly restructured in Q4 2019, and with departing team members through an extremely challenging period, saw a higher average Short Term Incentive outcome than might otherwise have been expected.

We also note that the Long Term Incentive plan is designed to align with shareholder value creation, and 0% of the Long Term Incentive vested at the end of 2019. The Board believes that retention of the Executive and Operational Leadership team post restructure is critical for future success. This is reflected in the proposed ongoing Long-Term Incentive, Five Year Performance and Retention Incentive and Performance Rights plans proposed beyond 2019.

We made one additional appointment to the Board in 2019 with the appointment of Sara Watts. Sara now Chairs the Audit and Risk Committee and brings over 30 years of financial, operational and international experience.

The primary focus for 2020 was set to be growing Balama's position in a rebalanced market with an asset cost structure and operating methodology more adaptable to market conditions. The unprecedented COVID-19 situation has presented further challenge in the first half of the year. Positioning Balama to meet these challenges, and the ongoing development of our downstream business remain a near term focus for the Company and are critical for growing shareholder value.

Your Board appreciates that this has been an intensely challenging period for Shareholders. The Executive and Leadership teams are incredibly strongly committed to Syrah's success, and the Board thanks you for your continued support. As we work toward improved demand conditions in end user markets, rest assured that Balama is well positioned to translate demand growth to improvement in the equity value of your stockholding. We are confident that we have the management team to deliver improved results. We continue with the vision to deliver Syrah as the leading high-quality natural graphite producer and downstream anode company globally.

-Ends-

This ASX release was authorised on behalf of the Syrah Board by

Shaun Verner, Managing Director

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About Syrah Resources

Syrah Resources Limited (ASX code: SYR) is an Australian-based industrial minerals and technology company. Syrah owns and developed the Balama Graphite Project (Balama) in Mozambique. Balama transitioned to operations with sales and shipments to a global customer base including the battery anode producers, from the start of 2018. Syrah produced over 100,000 tonnes of natural graphite in 2018 and is the largest and first major new natural graphite operation developed outside of China. Balama will be the leading global producer of high purity graphite. Balama production is targeted to supply traditional industrial graphite markets and emerging technology markets. Syrah is also progressing its downstream Battery Anode Material strategy with first production of spherical graphite achieved in December 2018 from its plant in Louisiana, USA. Syrah has successfully completed extensive product certification test work with several major battery producers for the use of Balama spherical graphite in the anode of lithium-ion batteries.