



ASX ANNOUNCEMENT



18 DECEMBER 2015

BRASIL GRAPHITE OPTION AGREEMENT RESTRUCTURED

Highlights

- Restructured Option-to-Purchase agreement aligns exploration success with future payment schedules
- Option exercise payment reduced from US\$3.5M to US\$1.5M, payable June 2016, and balance of payments based on delineating JORC resources
- Drilling to commence in early 2016

Sayona Mining Limited (ASX: SYA) ("Sayona" or the "Company") is pleased to announce that it has restructured its agreement with Brasil Graphite SA ("Brasil Graphite").

During the four month option period, the Company made substantial progress on its technical due diligence. However, the Company has decided that further drilling is required to validate historical drilling data and complete a resource estimate, and scoping study.

As such, the Company has agreed to amend the Option-to-Purchase terms with Brasil Graphite. The new agreement alleviates the requirement to fund the previously announced acquisition price of US\$3.5 million in December 2015. The new terms, include an exercise payment of US\$1.5 million on 30 June 2016, and further payments based on delineating JORC resources. The new agreement provides a closer alignment of resource definition success with the future payment schedules.

The Company's initial due diligence activities have confirmed the potential for Itabela to be established as a near-term, globally competitive, low capital and operating cost development opportunity based on the following key attributes:

1. Product and market potential

The Itabela ore has been extensively tested through a 31 tonne pilot plant testing program, demonstrating the superior product quality characteristics of the graphite, including:

- Production of a high-value, high-purity, jumbo and large flake graphite;
- Low impurities;
- Simple, low-cost, process flow sheet which preserves the large flake graphite;
- Ultra-high purity (+99.9%) graphite produced in a simple purification process; and
- Product suitable for the production of high-value expandable graphite.

The Company believes Itabela is well positioned to supply a number of markets, including the high-value large flake segments, and has received a number of expressions of interest for product supply.

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Brazil, the world's second largest supplier of graphite in the world, has been supplying graphite to the global market for more than 70 years. Brazil is a tier one mining jurisdiction with stable taxes, royalties, and mining law.

2. Deposit (saprolite) advantages

At shallow levels, the Itabela mineralisation is hosted within a saprolitic profile, the result of deep weathering of the original metamorphic rocks in a sub-tropical environment. The extent of weathering is from surface down to the current limit of drilling, 30 metres below surface. The weathered rocks are soft and friable. The graphite mineralisation is evident from surface and contains a high percentage of large flake graphite.

The natural advantages derived from the Itabela host rocks, include:

- No requirements for drilling and blasting, or crushing;
- Low-intensity milling and grinding; and
- Simple low-cost liberation of the large-flake graphite using flotation and milling.

In addition, the mineralisation is hosted from surface in a long strike extent, tabular structure up to 100 metres in width (based on the current limits of drilling), making it amenable to low strip-ratio, open-cut mining practises.

3. Infrastructure and logistical advantages

Itabela is close to established infrastructure including port, power, water, labour, roads and an airport. The local workforce are skilled in graphite geology, mining, processing and marketing. The well-established infrastructure and mining services will assist in delivering low operating and capital costs.

In addition, the State of Bahia has very attractive tax incentive schemes for new mineral project developments which has the potential to reduce the tax burden over the first ten years of production.

New Option-to-Purchase Agreement Terms

The new key terms, include:

- US\$120,000 restructure payment, payable in December 2015;
- Monthly option payment of US\$15,000 until June 2016;
- A US\$0.5 million drilling commitment before 30 June 2016;
- Option exercise payment of US\$1.5 million on 30 June 2016 to acquire 100% of the tenements; and
- Contingent JORC resource payments, payable 60 days after the completion of a JORC Resource Statement (to be completed prior to 30 June 2016), including:
 - a) US\$6.50 per tonne of contained graphite for any JORC Resource in excess of 300,000tonnes, capped at a maximum payment US\$2,000,000; and
 - b) US\$2.00 per tonne of contained graphite for any JORC Resources in excess of 690,000t payable in cash or shares at Sayona's election; and
 - c) There is no time limit on the application of these provisions.

Next Steps

The Company is currently planning a drilling program that will commence in January 2016. The scoping study will be completed in parallel with the drilling program and resource estimate.

The Company is very pleased to have been able to restructure the option agreement on favourable terms and begin a detailed resource validation drilling program.

For more information, please contact:

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Sayona Mining Limited is an Australian, ASX-listed (SYA), company focused on sourcing and developing high purity flake graphite for use in the rapidly growing new technology and industrial sectors. Please visit us as at www.sayonamining.com.au