



# ASX ANNOUNCEMENT



27 FEBRUARY 2017

## CORPORATE UPDATE

Sayona Mining Limited (ASX: SYA) ("Sayona" or the "Company") is pleased to provide shareholders with a progress update on exploration and development activities.

### Authier Lithium Project

The Company recently announced its maiden Ore Reserve and Pre-Feasibility Study ("PFS") summary for the Authier project. Key findings of the PFS, include:

- Pre-tax NPV of C\$140 million and pre-tax IRR 39% (real terms at 8% discount rate);
- Annual average concentrate production of 99,000 tonnes at 5.75% Li<sub>2</sub>O;
- Average annual revenue of C\$67 million and EBITDA of C\$31 million;
- Life of mine strip ratio of 6:1 (waste to ore) and cash costs of C\$367 (US \$280) FOB Montreal Port;
- Development capital expenditure of C\$66 million; and
- Maiden Ore Reserve of 10.2 Mt @ 1.02% Li<sub>2</sub>O (Proven Reserve 4.9Mt @ 0.97% Li<sub>2</sub>O and Probable Reserve 5.3Mt @ 1.06% Li<sub>2</sub>O) delivers a mine life of 13 years.

The Company is now looking at a number of options to significantly enhance the value of the project, including drilling to expand the Mineral Resource and Ore Reserves, further metallurgical and geotechnical test-work, and other downstream value-adding opportunities.

The 4,000 metre resource expansion drilling program is progressing well with 1,857 metres in 7 holes completed. The drilling is demonstrating the extensions of the mineralisation at depth in the western sector. The first drill cores were sent to the laboratory this week for analysis. On-going drilling is planned in the eastern sector, the new pegmatite area in the north, and infill within the existing Inferred Resource areas.

### Western Australian Lithium

Recent mapping and sampling programs at the Mallina project has identified five new pegmatite areas with rock chips up to 3.47% Li<sub>2</sub>O. Planning is underway for another phase of exploration including, mapping, rock sampling, and auger drilling. This work will be complemented by systematic soil geochemistry, to be carried out with the aim of identifying targets for RC drilling under shallow cover. The primary focus is the area of newly discovered spodumene pegmatites as well as traversing the unexplored remainder of the tenement area. Whilst the area remains wet from recent rain, a geophysics program is being planned to assist with identifying structures under cover that may be blind on surface.

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### **Future Funding Options**

The Company currently has cash resources of \$1.3 million which will fund its development activities in the short term. The Company has commenced some preliminary discussions with prospective financiers about options for funding future exploration and development activities with minimal dilution to shareholders. The Company is encouraged by the response regarding the level and types of funding that could be available.

### **Lithium Industry Pricing Update**

The pricing of lithium concentrates being sold from Australia to China continue to surprise on the upside. Two new Australian producers have recently announced settlements for 2017 contract pricing, including:

- Neometals has entered into contracts for 6% Li<sub>2</sub>O concentrates at US\$750 per tonne CFR China for shipments departing Australia before 30 June 2017. Pricing of subsequent shipments is to be set on a 6-month basis by a formula based on a weighted average price of Chinese imports of Lithium Carbonate and Lithium Hydroxide plus a floor price consistent with the original off-take agreement; and
- Galaxy has entered into contracts for all of 2017 production of 120,000 tonnes at a base price of US\$830 per tonne FOB for 5.5% Li<sub>2</sub>O concentrate. The contract terms provided a payment bonus of US\$15 per tonne for every 0.1% improvement in the concentrate grade above the 5.5% Li<sub>2</sub>O base rate or US\$905 per tonne FOB for a 6% Li<sub>2</sub>O concentrate.

The new pricing regime reflects the much tighter market for concentrates as new projects commission slower than forecast and financing constraints slow the planned development timetables for other advanced projects.

The Company notes that its benchmark pricing assumptions for the recently completed PFS of US\$515/tonne FOB (5.75% Li<sub>2</sub>O concentrate) are well below the current prices of lithium concentrate contracts for 2017.

### **Strategic Intent**

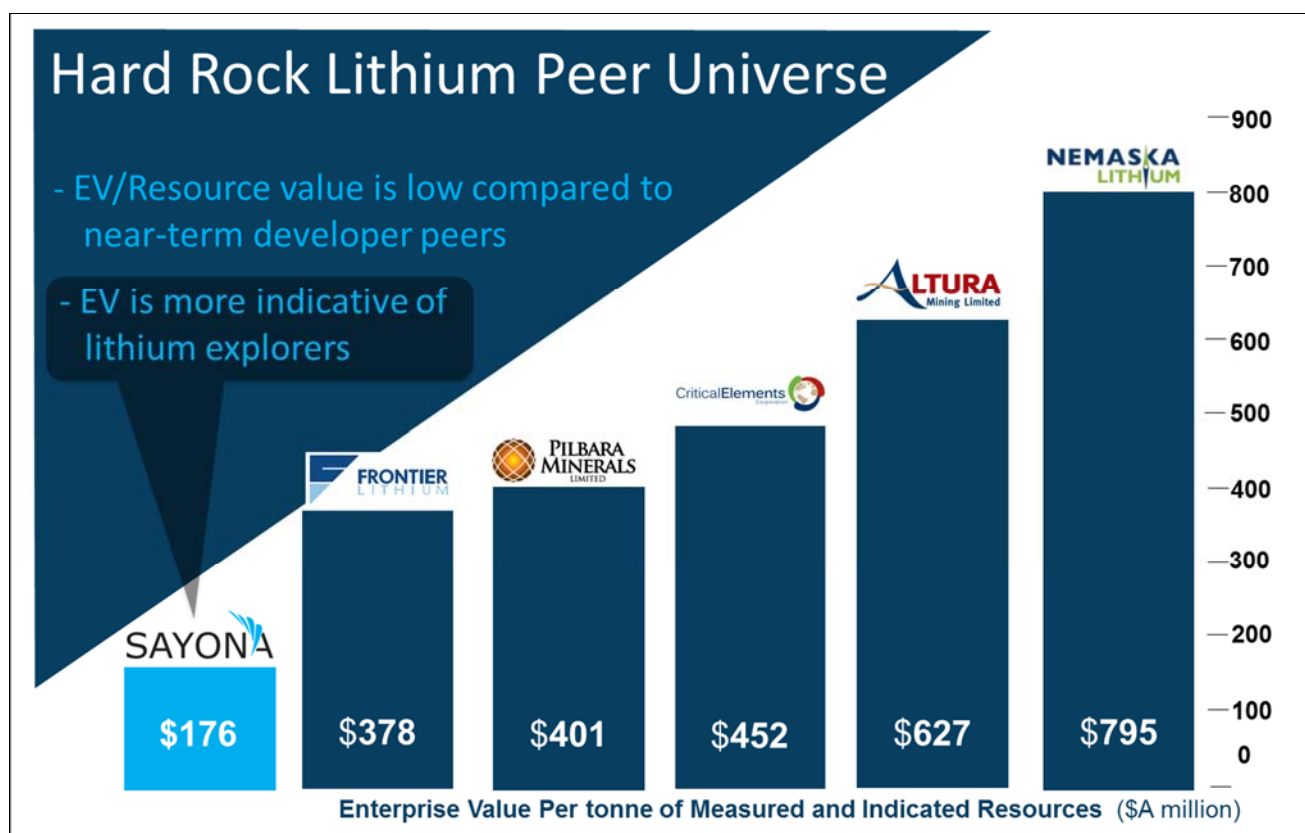
The Company remains focused on rapidly developing its spodumene projects and capitalising on the strong pricing window available for new project entrants in the short to medium term. Authier is an advanced development project and cash flow generation opportunity with positive attributes, including:

- Extensively drilled and well understood geology;
- Well studied with the completion of a Pre-Feasibility study (February 2017);
- Maiden JORC Ore Reserves - 10.2 Mt @ 1.02% Li<sub>2</sub>O (Proven Reserve 4.9Mt @ 0.97% Li<sub>2</sub>O and Probable Reserve 5.3Mt @ 1.06% Li<sub>2</sub>O);
- Simple open-cut, truck and shovel mining operation;
- Proven process for recovery of spodumene into a saleable concentrate – low technology risk;
- World-class infrastructure and Quebec Government support;
- Low capital hurdle and attractive operating costs; and

- Potential to expand the size of the Mineral Resource through further optimisation and enhance the value of the project through further optimisation studies.

Despite the solid progress achieved at Authier since the acquisition in August 2016, the Company still trades on one of the lowest enterprise value per tonne of Measured and Indicated Resource multiples in the global sector - \$176 per tonne. This is more in line with lithium explorers than an advanced project.

The Company believes it will create significant share value-uplift for shareholders as the project resource base is expanded, optimisation activities are completed, and it's advanced towards development.



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Sayona Mining Limited is an Australian, ASX-listed (SYA), company focused on sourcing and developing the raw materials required to construct lithium-ion batteries for use in the rapidly growing new and green technology sectors.

The Company's primary focus is the development of the advanced stage Authier lithium project in Quebec, Canada. Authier mineralisation is hosted in a spodumene-bearing pegmatite intrusion with more than 18,000 metres of drilling in 139 holes.

The Authier JORC (2012) compliant Mineral Resource estimate is tabulated below at a 0.5% Li<sub>2</sub>O cut-off grade.

Table 1 – Authier JORC Mineral Resources Estimate (0.5% Li <sub>2</sub> O cut-off grade)			
Category	Million Tonnes	Grades Li <sub>2</sub> O	Contained Li <sub>2</sub> O
Measured	4.72	1.03%	48,519
Indicated	7.13	1.10%	78,280
Inferred	1.90	1.05%	19,901
Total	<b>13.74</b>	<b>1.07%</b>	<b>146,700</b>

Authier is amenable to simple open-cut mining and processing methods, and is situated in close proximity to development infrastructure. The Company is currently completing a 4,000 metre drilling program aimed at expanding the size of the Authier resource.

In addition, the Company controls a portfolio of lithium and graphite exploration projects in Western Australia.

Please visit us as at [www.sayonamining.com.au](http://www.sayonamining.com.au)

#### Reference to Previous ASX Releases

This presentation refers to the following previous ASX releases:

- "Mallina Spodumene Mineralisation Extended, New High grade Zone, 16 February 2017
- "Authier Pre-Feasibility Study", 16 February 2017
- "Authier Maiden JORC Ore Reserve", 1 February 2017

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and all material assumptions and technical parameters continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.