



ASX ANNOUNCEMENT



27 JANUARY 2016

DECEMBER 2015 QUARTERLY REPORT

Highlights

- Maiden East Kimberley drilling program at Corkwood completed
- Significant widths of graphite mineralisation intersected over 7km of the 20km Corkwood structure, including a graphite intersection of 64 metres downhole width
- Itabela option exercise payment reduced from US\$3.5M to US\$1.5M, payable June 2016, and balance of payments based on delineating JORC resources

Sayona Mining Limited (ASX: SYA) ("Sayona" or the "Company") is pleased to announce activities for the quarter including the completion of the maiden East Kimberley drilling program and restructure of the Itabela Option-to-Purchase contract terms.

East Kimberley, Western Australia

During the quarter, the Company drilled 33 reverse circulation holes totalling 2,949 metres in six prospect areas within the Corkwood tenements. Every hole intersected visual flake graphite mineralisation, with significant zones of over 50 metre downhole widths in several holes, including an intercept of 64 metres (see Figure 1).

Additionally, some holes have intercepted multiple horizons of graphite mineralization. The drilling has defined consistent, broadly tabular bodies of graphite mineralization and the thickness of the mineralisation is better than anticipated from surface observations.

The Corkwood area has never been previously explored for its graphite potential. The Company's drilling program has now identified graphite mineralization over 7 kilometres within the 25 kilometre strike extent of the Corkwood geochemical and geophysical anomaly.

Samples have been dispatched for analysis and the first results are anticipated in late January 2016.

Subsequent to the end of the quarter, the Company exercised its option to acquire the Western Iron tenement (E80/4511) at the East Kimberley project (see Figure 2). The Western Iron tenement purchase price was \$200,000. Western Iron Ore Pty Ltd is entitled to receive a 1% gross production royalty and retains a Back-in Right to the nickel, copper and iron mineralisation by the payment of \$100,000 within 12 months.

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Figure 1: Various photos from the Corkwood prospect

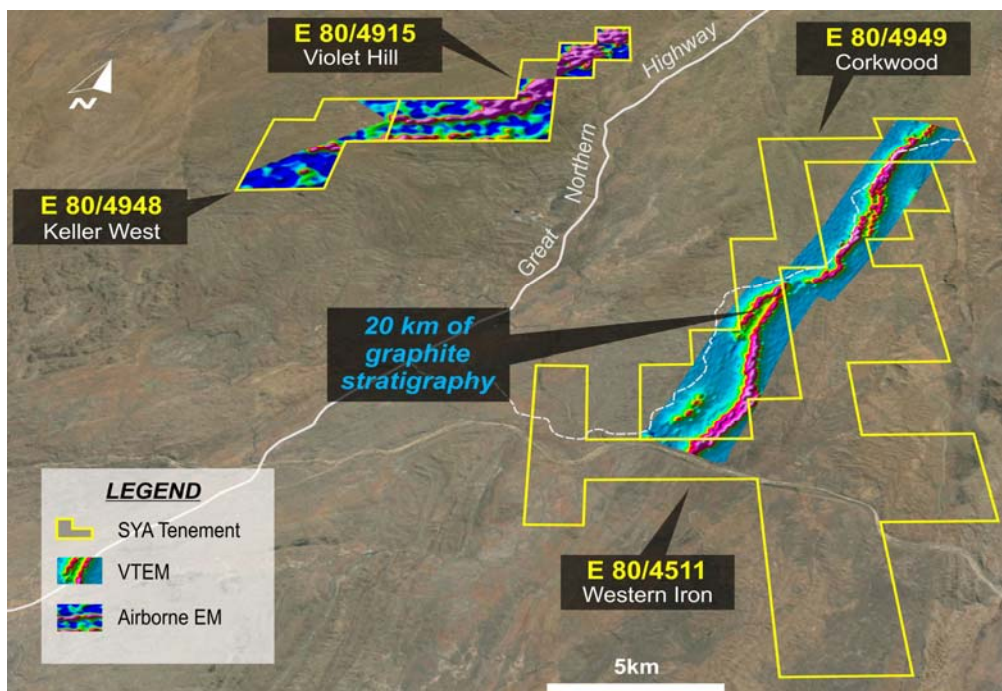


Figure 2: East Kimberley Project tenements including the acquired Western Iron tenement E80/4511

Itabela, Brazil

During the quarter the Company completed a restructure of its Option-to-Purchase 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.

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.

Itabela next steps

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

Tenement Schedule

The Company currently has no interest in any mining tenements.

For more information, please contact:

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Sayona Mining Limited is an Australian, ASX-listed, company focused on sourcing and developing high purity flake graphite for use in the rapidly growing new technology sectors.

Please visit us as at www.sayonamining.com.au

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Simon Attwell, a Competent Person, and who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Attwell is an employee of Attagold Pty Ltd ("Attagold") which provides geological services to Sayona. Mr Attwell is a financial beneficiary, being a director and shareholder of Attagold if Sayona exercises its option to purchase the East Kimberley Graphite project.

Mr Attwell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Attwell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Previous Disclosure - 2012 JORC Code

Certain Information relating to Mineral Resources, Exploration Targets and Exploration Data associated with the Company's projects in this September 2015 Quarterly Report has been extracted from the following ASX Announcements:

- East Kimberley Drilling Program Completed, 14 December 2015

Copies of these reports are available to view on the Sayona Mining Limited website www.sayonamining.com.au. These reports were issued in accordance with the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. 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. 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 announcement.