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Company Announcements  
Australian Securities Exchange

31 October 2014

## QUARTERLY REPORT – SEPTEMBER 2014

### HIGHLIGHTS

- **Sayona signs Heads of Agreement to acquire 70% interest in Talga iron ore project in the East Pilbara Western Australia.**
- **Continued assessment of new projects on a worldwide basis.**
- **Settlement of legal proceedings against Mantle Diamonds Limited**

During the Quarter the Company announced it had entered into a Heads of Agreement with the Talga Syndicate (comprising Freedom Minerals, Kalamazoo Resource and Great Sandy Pty Ltd) to acquire a 70% interest in the iron ore rights within tenements E45/3679, E45/3857, E45/4136, E45/4137, E45/3457 and E45/3680 in the East Pilbara district of Western Australia.

Under the agreement Sayona has agreed to pay Talga \$50,000 on signing the Option Agreement and may exercise the option to earn its 70% interest by completing 1,000 metres of drilling, paying to Talga \$600,000 and issuing 25 million 3 year options exercisable at \$0.025. The option will expire on 31 December 2015.

The Talga Iron Ore project is located approximately 170 kilometres south-east of Port Hedland in Western Australia and is prospective for DSO iron ore.

The recently discovered high grade lode style hematite-goethite Eginbah prospect within Talga is similar geologically to the Spinifex Ridge iron ore mine located 23 kilometres along strike to the east.

The Spinifex Ridge iron ore mine commenced production in September 2010 with an initial Probable Reserve of 4,334,000 tonnes at 59.2% Fe (MolyMines ASX release 20 October 2010). Over 1 million tonnes of ore was shipped by MolyMines within the first 12 months of production. In May 2013 MolyMines announced the Mine Gate Sale of the Spinifex Ridge Iron Ore to Mineral Resources Limited (ASX:MIN) for approximately \$38 million based on a the 2.4 million dry metric tonnes estimated to be available under the then current mine plan.

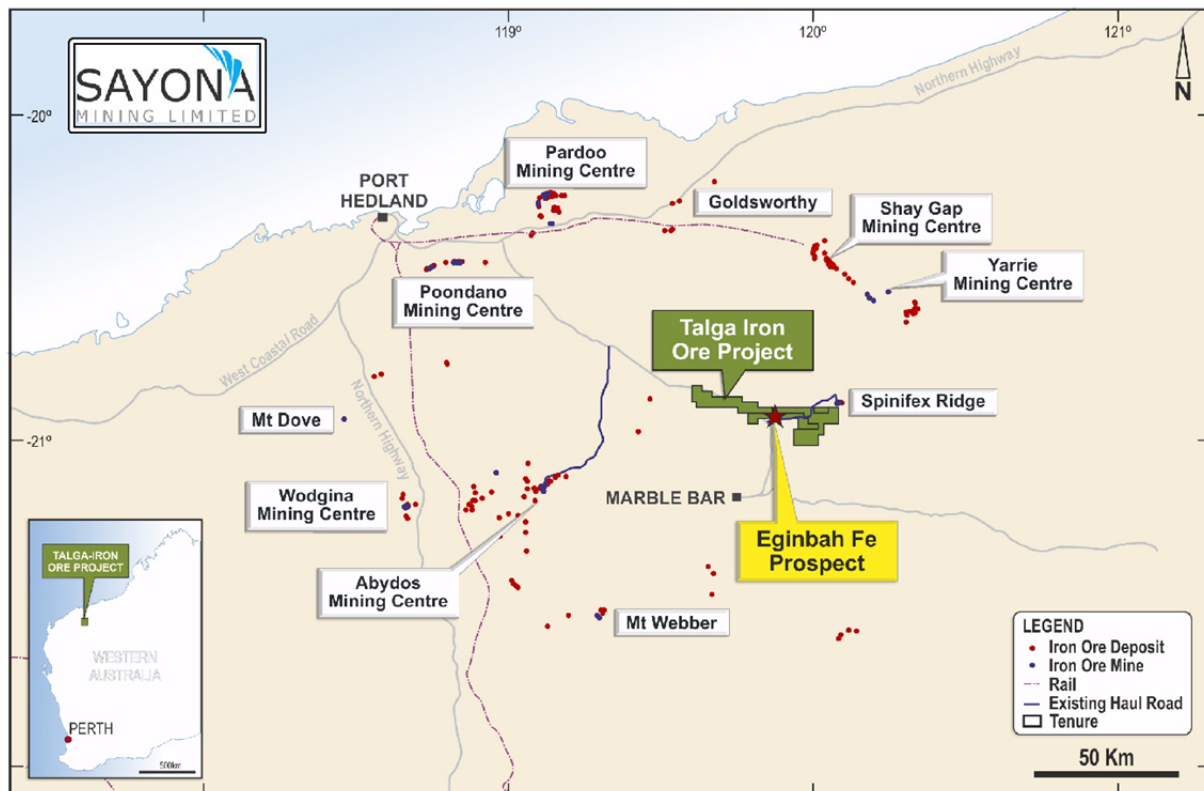


Figure 1 - Talga Iron Ore Project – Location.

Mapping at Eginbah has outlined a number of massive hematite and goethite occurrences traced over approximately 400 meters and up to 40 meters in width.

Assays up to 61.25% Fe have been recorded. Refer to the Company's announcement on 2 October 2014.

It is proposed to undertake a drill program at Eginbah to determine its grade and tonnage potential.

Permitting is well advanced for this drill program with Heritage surveys completed and it is anticipated that drilling could commence in November.

Sampling along strike from Eginbah at two other prospects has also recorded iron assays above 60% Fe and depending upon drill results from Eginbah drilling has also been planned for these prospects.

In summary the Talga project is attractive in offering:

- Grade – potential high grade DSO iron ore
- Location – 4 kms from sealed highway, 170 kms from Port Hedland
- Potentially low strip ratios – Eginbah located on a ridge
- Low capital cost to production
- Potential for low operating costs with good cash margins at current DSO price.



*Figure 2 - Eginbah Prospect.*

## **PROJECT ACQUISITION**

During the quarter the company continued its assessment of projects on a worldwide basis with a view to acquiring an advanced exploration/development project

Commodity focus has been principally coking coal, direct shipping iron ore and copper.

To date, in excess of 30 opportunities have been explored in detail with offers made to a number of parties.

Jurisdictions examined have included Canada, Columbia, Brazil, Argentina, Indonesia, Turkey, Sweden, Sub Saharan Africa, Madagascar and various Australian States.

## **CORPORATE**

During the Quarter the Company settled its legal proceedings against Mantle Diamonds Limited (Mantle), by agreement between Sayona, Mantle and Kimberley Diamonds Limited (ASX: KDL). The dispute related to the payment of deferred sale proceeds from the sale of the Lerala diamond mine in Botswana.

The agreement includes a mutual release of claims by the parties and payment by Mantle to Sayona of cash and scrip in KDL to an aggregate value of US\$340,000, by 1 October 2014.

## **TENEMENT SCHEDULE**

The Company currently has no interest in any mining tenements.





*Figure 3 - Massive hematite-goethite outcrop - Eginbah.*

For more information, please contact:

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### **Competent Person Statement**

The information in this report that relates to exploration results is based on information compiled by Mr Dan O'Neill, who is a Member of the Australian Institute of Geoscientists (MAIG). Mr O'Neill is a Managing Director of Sayona Mining Limited and has sufficient experience relevant to the styles of mineralisation and types of deposit under consideration and the activities being undertaken to qualify as a Competent Person as defined by the 2012 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012).

Mr O'Neill consents to the inclusion of his names in this report and to the issue of this report in the form and context in which it appears.