

30 June 2021

## **SAYONA OBTAINS COURT APPROVAL FOR NAL ACQUISITION**

### **Highlights**

- **Superior Court of Québec approves Sayona Québec's acquisition of North American Lithium (NAL)**
- **Sayona to refurbish NAL facilities and integrate operation with Authier Lithium Project to create world-scale Abitibi lithium hub**
- **Downstream processing planned in Québec to supply fast-growing North American battery market.**

**Emerging lithium producer Sayona Mining Limited (ASX:SYA; OTC:DMNXF)** has achieved a major milestone in its Québec expansion, following court approval for its joint bid with Piedmont Lithium for North American Lithium (NAL).

The Superior Court of Québec (Commercial Division) has granted an approval and vesting order regarding the Company's joint bid with Piedmont Lithium Inc. for the acquisition by Sayona Québec Inc. of NAL.

Welcoming the Court's decision, Sayona's Managing Director, Brett Lynch said: *"This is a pivotal point for not only ourselves and our bid partner Piedmont Lithium, but also Québec and its future as a leading player in the clean energy industry of the 21<sup>st</sup> century.*

*"We look forward to executing our turnaround plan in integrating NAL with our flagship Authier Lithium Project to transform the operation and create a world-scale Abitibi lithium hub, advancing our plans for downstream processing in Québec."*

He added: *"I would like to thank our teams in Québec and Australia, our partner Piedmont Lithium and our shareholders, who have supported us throughout the bidding process for NAL and have helped realise this opportunity. It has been a long journey, yet we have now reached a major milestone towards our evolution into a leading integrated producer in North America."*

## Share Purchase Agreement

The Superior Court of Québec (Commercial Division) has granted an approval and vesting order regarding the Company's joint bid with Piedmont Lithium Inc. for the acquisition by Sayona Québec Inc. of NAL in the context of the *Companies' Creditors Arrangement Act (CCAA)* proceedings of NAL.

The order of the Superior Court of Québec approves, *inter alia*,

- (i) the purchase and sale transactions contemplated in the share purchase agreement entered into between Sayona Québec's wholly owned subsidiary, incorporated for the purposes of the transaction, and NAL (the **Share Purchase Agreement**); and
- (ii) the pre-closing reorganisation steps required in order to implement the transaction.

Under the Share Purchase Agreement, at completion of the transaction, Sayona Québec will acquire all the issued and outstanding shares of NAL, which will keep substantially all its assets. The order of the Superior Court of Québec provides that the NAL assets will be free and clear of any encumbrances other than certain specific permitted encumbrances.

The bid value and cash component is summarised in the table below, with the figures to be updated as at the closure of the transaction (refer also ASX release 22 June 2021):

| Element  | Value                 | Cash to be paid at closing of transaction   |
|--|-----------------------|---|
| IQ Assigned Debt (NAL's obligations under the senior and subordinated secured debts of Investissement Québec (IQ) on transaction closure)                          | C\$111,898,000        | C\$36,000,000 cash<br>The IQ Assigned Debt will be carried within the Group as an inter-company loan and eliminated on consolidation, with no net financial impact on a group basis |
| IQ debtor-in-possession (DIP) financing  | C\$10,948,000         | C\$10,948,000 cash (as at 11 June 2021, plus other amounts advanced until closing)  |
| Contemporary Amperex Technology Canada Limited's senior secured debt   | C\$47,000,000         | C\$47,000,000 cash  |
| Municipal tax arrears payable to City of La Corne, Québec  | C\$413,000            | C\$413,000 cash   |
| Assumption of reclamation guarantees in favour of the <i>Ministère de l'Énergie et des Ressources naturelles</i> (Québec ministry of energy and natural resources) | C\$25,600,000         | No cash component at closing.<br>Establishment of insurance-based security bond   |
| Assumption of certain construction liens, if valid   | C\$753,000            | No immediate cash component   |
| Assumption of relevant NAL employee liabilities  | Undefined             | No immediate cash component. Future payroll and entitlement obligation  |
| <b>Total Bid Value</b>   | <b>C\$196,199,000</b> | <b>C\$94,361,000 cash (plus other amounts advanced under the DIP until closing)</b>   |

Total cash consideration is approximately C\$94,400,000, subject to final adjustments at transaction closure.

## **IQ Assigned Debt**

Sayona Québec, Sayona and Piedmont Lithium have entered into an assignment agreement with IQ (the **Assignment Agreement**) pursuant to which IQ has agreed to assign its rights and interest, as creditor, in the IQ Assigned Debt, on the closing of the transaction, subject to certain terms and conditions. Consideration payable on closing in connection with the assignment is:

- (i) cash payment in an amount of C\$36,000,000; and
- (ii) issue by NAL to IQ of 20,000,000 preferred shares of its share capital, having an aggregate value of C\$20,000,000.

At transaction closure, Sayona Québec and IQ will enter into a governance agreement (the **Governance Agreement**) setting out provisions relating to their relationship as shareholders of NAL and to the governance of NAL. These include certain veto rights in favour of IQ, together with rights and restrictions relating to the transfer of NAL shares and property.

Under the Assignment Agreement and the Governance Agreement, Sayona Québec has agreed to an extensive regime of commitments to pursue the establishment of industrial spodumene conversion facilities in the Province of Québec (the **Quebec Content Undertakings**).

As part of these undertakings, a feasibility study into the development of a spodumene conversion facility will be conducted within three years from the transaction's closure. In addition, subject to certain conditions, NAL has undertaken to convert its spodumene production into lithium hydroxide or lithium carbonate within Québec from the sixth anniversary until the 10th anniversary of the closure.

If these obligations are not achieved, NAL is obligated to redeem a certain portion of IQ's preferred shares at a price equal to their initial value plus interest at a minimal rate of 5% per annum. Sayona Québec may periodically redeem a certain portion of IQ's preferred shares, upon meeting various Quebec Content Undertakings, for an aggregate amount of CA\$1.

Piedmont Lithium and Sayona have agreed to guarantee the obligations of Sayona Québec under the Assignment Agreement and the Share Purchase Agreement. In addition, Sayona Québec will guarantee the obligations of NAL in respect of the Quebec Content Undertakings described above.

As part of this guarantee, IQ may elect that any amount payable in connection with such Québec Content Undertakings be paid in Sayona shares, subject to obtaining the necessary approvals from Sayona's shareholders at the time of the election.

Transaction closure is expected to occur during Q3 2021, subject to the satisfaction of certain conditions contemplated in the Share Purchase Agreement and in the Assignment Agreement, including Sayona obtaining any necessary approvals under the ASX Listing Rules and other necessary regulatory approvals (inclusive of any clearances required under the *Competition Act* (Canada) and *Investment Canada Act* (Canada)), as well as other customary closing conditions.

Upon conclusion of the transactions, Sayona Québec intends to refurbish NAL's facilities, including technical improvements as well as the upgrading of certain equipment, together with integrating NAL with the nearby Authier project to transform the operation and create a world-scale Abitibi lithium hub.

Furthermore, Sayona and Piedmont Lithium are committed to carry out secondary processing of lithium in Québec within the next six years, in accordance with the conditions set out in the agreements negotiated with IQ as part of the Purchase and Sale Transactions. This reflects Quebec's competitive advantages, including access to sustainable, low-cost hydropower, skilled labour, world-class infrastructure and the drive by both the Canadian and provincial governments to develop the battery metals and EV industry.

The Company also advises that it has utilised its Controlled Placement Agreement ("CPA") with Acuity Capital (as announced on 29 October 2019 and 29 April 2021) to raise A\$5,800,000 (inclusive of costs) by agreeing to issue 95,000,000 SYA shares to Acuity Capital at an issue price of A\$0.061. The issue price represents a 1.4% discount to the five-trading day VWAP of A\$0.0619 to 28 June 2021.

Funds raised will be applied to corporate development and operating activities. An Appendix 2A in relation to this issue has been lodged with the ASX.

This announcement is authorised by Sayona's Board of Directors.

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### **About Sayona Mining**

Sayona Mining Limited is an emerging lithium miner (ASX:SYA; OTC:DMNXF), with projects in Québec, Canada and Western Australia. In Québec, Sayona's assets comprise the Authier Lithium Project and its emerging Tansim Lithium Project, supported by a strategic partnership with American lithium developer Piedmont Lithium Inc. (Nasdaq:PLL; ASX:PLL). The Company is also advancing a joint bid with Piedmont for North American Lithium (NAL).

In Western Australia, the Company holds a large tenement portfolio in the Pilbara region prospective for gold and lithium. Sayona is exploring for Hemi-style gold targets in the world-class Pilbara region, while its lithium projects are subject to an earn-in agreement with Altura Mining Limited.

For more information, please visit us at [www.sayonamining.com.au](http://www.sayonamining.com.au)