

**SAYONA MINING LIMITED  
AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2017**

**SAYONA MINING LIMITED**  
**ABN 26 091 951 978**

**DIRECTORS' REPORT**

Your Directors present their report on the consolidated entity (Group) consisting of Sayona Mining Limited and its controlled entities for the financial year to 30 June 2017. The information in the following operating and financial review and the remuneration report forms part of this directors' report for the financial year ended on 30 June 2017 and is to be read in conjunction with the following information.

**DIRECTORS**

The Directors of the Company during or since the end of the financial year are listed below. During the year, there were 13 meetings of the full Board of Directors. The meetings attended by each Director were:

<b>DIRECTOR</b>	<b>ELIGIBLE TO ATTEND</b>	<b>ATTENDED</b>
D.C. O'Neill	13	13
P.A. Crawford	13	13
A. C. Buckler	13	13
J. S. Brown	13	13

The Company does not have an Audit Committee. The role of the Audit Committee has been assumed by the full Board. The size and nature of the Company's activities does not justify the establishment of a committee at this time.

**INFORMATION ON DIRECTORS AND COMPANY SECRETARY**

The names and qualifications of current Directors are summarised as follows:

**Dennis C O'Neill                      Director (Executive)**

Qualifications                      Bachelor of Science - Geology

Experience                          Board member since 2000. Over 40 years experience in exploration project and corporate management. He has held positions with a number of Australian and multinational exploration companies and has managed exploration programs in a diverse range of commodities and locations.

Interest in Shares                      71,593,477 ordinary shares

Directorships in other  
listed entities during the 3  
years prior to current year                      Altura Mining Limited

**Paul A Crawford                      Director (Executive) and Company Secretary**

Qualifications                      Bachelor of Business – Accountancy; CPA; Master of Financial Management; Graduate Diploma in Business Law; Graduate Diploma in Company Secretarial Practice.

Experience                          Board member since 2000. 39 years of commercial experience, including various technical and management roles within the minerals, coal and petroleum industries. Principal of his own corporate consultancy firm, providing accounting, corporate governance, business advisory and commercial management services.

Interest in Securities                      89,001,236 ordinary shares.

Directorships in other  
listed entities during the 3  
years prior to current year                      Nil

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**Allan C Buckler**

**Director (Non-Executive)**

**Qualifications**

Certificate in Mine Surveying and Mining, First Class Mine Managers Certificate and a Mine Surveyor Certificate issued by the Queensland Government's Department of Mines.

**Experience**

Appointed to the Board on 5 August 2013. Over 35 years experience in the mining industry and has taken lead roles in the establishment of several leading mining and port operations in both Australia and Indonesia. Significant operations such as PT Adaro Indonesia, PT Indonesia Bulk Terminal and New Hope Coal Australia have been developed under his leadership.

**Interest in Securities**

85,963,747 ordinary shares.

**Directorships in other listed entities during the 3 years prior to current year**

Altura Mining Limited, Interra Resources Limited

**James S Brown**

**Director (Non-Executive)**

**Qualifications**

Graduate Diploma in Mining from University of Ballarat

**Experience**

Appointed to the Board on 12 August 2013. Over 25 years experience in the coal mining industry in Australia and Indonesia, including 22 years at New Hope Corporation. He was appointed as Managing Director of Altura in September 2010. His coal development and operations experience includes the New Acland and Jeebropilly mines in South East Queensland, the Adaro and Multi Harapan Utama operations in Indonesia and Blair Athol in the Bowen Basin in Central Queensland.

**Interest in Securities**

2,048,295 ordinary shares.

**Directorships in other listed entities during the 3 years prior to current year**

Altura Mining Limited

**DIVIDENDS**

No dividends were declared or paid during the financial year.

**SHARE OPTIONS**

At the date of this report there were no unissued ordinary shares of Sayona Mining Limited under option.

Options holders do not have any rights to participate in any issue of shares or other interests of the Company or any other entity.

Movements in listed options and unlisted employee options are set out in the state of affairs section of this report, and Note 16 of the financial report.

For details of options previously issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 30 June 2017, the following ordinary shares of Sayona Mining Limited were issued on the exercise of options granted:

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Options	Grant Date	Exercise Price	Number of Shares Issued
Listed Options	08 July 16	0.030	6,250
Listed Options	19 July 16	0.030	4,361
Listed Options	10 October 16	0.030	94,064
Employee Option Plan	30 December 16	0.010	6,000,000
Listed Options	11 January 17	0.030	43,660,320
Director Options	30 June 17	0.030	1,500,000
Employee Option Plan	30 June 17	0.015	6,000,000

There was \$90,000 unpaid at 30 June 2017 relating to options exercised.

**INDEMNIFICATION OF DIRECTORS AND AUDITORS**

The consolidated group has paid insurance premiums to indemnify each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

The Company has not given an indemnity or entered into any agreement to indemnify, or paid or agreed to pay insurance premiums in respect of any person who is or has been an auditor of the Company or a related body corporate during the year and up to the date of this report.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**AUDITOR INDEPENDENCE**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

**Non-Audit Services**

There were no non-audit services provided by the Company's auditors in the current or previous financial year.

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**OPERATING AND FINANCIAL REVIEW**

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**PRINCIPAL ACTIVITY**

The consolidated group's principal activity during the financial year has been the identification, acquisition and evaluation of mineral exploration assets, focusing on lithium and graphite. During the period, the Company undertook exploration activity on a number of projects in Australia and Canada. There were no significant changes in these activities during the financial year.

**BUSINESS MODEL AND OBJECTIVES**

The Company's primary objective is to provide shareholders with satisfactory returns.

This is to be achieved through implementation of the Company's business model of identifying, evaluating, and developing its portfolio of exploration assets.

**Operating Results**

The entity's consolidated operating loss for the financial year after applicable income tax was \$2,570,538 (2016: \$2,511,975). Tenement acquisition, exploration and evaluation expenditure during the year totalled \$7,109,318 (2016: \$2,712,521).

**Review of Operations**

During the year, the Company focused on sourcing and developing projects capable of supplying the raw materials required to construct lithium-ion batteries for use in the rapidly growing new and green technology sectors.

This has entailed:

- the acquisition of the Authier lithium project in Canada;
- development studies to advance the Authier project towards production; and
- expanding a package of lithium prospective exploration tenements in Western Australia.

Lithium is a high-value product which is anticipated to be in tight supply as the demand for lithium-ion batteries continues to experience transformational growth due to use in the new green technology sectors.

**Authier, Canada**

During the year, the Company completed the acquisition of the Authier lithium project in Canada.

As part of its initial due diligence on the proposed acquisition, an independent JORC Mineral Resource estimate was prepared and is tabulated below.

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	2.08	0.95%	19,730
Indicated	5.16	0.97%	50,092
Inferred	1.88	0.93%	17,480
Total	9.12	0.96%	87,302

Following the acquisition, the Company's primary strategy was to focus on completing the studies required to commence the development of the project. Authier is a near-term development project and cash-flow generation opportunity. The Company believes it will create significant share value-uplift potential for shareholders as the project is advanced towards development.

The primary focus of the work programs included further drilling to expand the JORC Mineral Resource, metallurgical test work and the preparation of a Pre-Feasibility Study ("PFS").

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In the second half of 2016, the Company completed a 4,000 metre drilling program aimed at expanding the size and grade of the JORC Mineral Resource. The significantly expanded Mineral Resource estimate is tabulated below. The contained lithium dioxide Mineral Resource has increased by 68% from 87,302 tonnes to 146,700 tonnes compared to the July 2016 JORC Mineral Resource estimate. The average grade has increased from 0.96% Li<sub>2</sub>O to 1.07% Li<sub>2</sub>O, and 86% of the contained Mineral Resource is categorised within the Measured and Indicated Mineral Resource categories.

<b>Authier JORC Mineral Resources Estimate (0.5% Li<sub>2</sub>O cut-off grade)</b>			
<b>Category</b>	<b>Tonnes (Mt)</b>	<b>Grades Li<sub>2</sub>O</b>	<b>Contained Li<sub>2</sub>O</b>
<b>Measured</b>	4.72	1.03%	48,519
<b>Indicated</b>	7.13	1.10%	78,280
<b>Inferred</b>	1.90	1.05%	19,901
<b>Total</b>	<b>13.75</b>	<b>1.07%</b>	<b>146,700</b>

Following the resource upgrade, the Company completed a PFS to assess the development potential of the project. The PFS confirmed the technical and financial viability of constructing a simple, low-strip ratio, open-cut mining operation and processing facility producing spodumene concentrate. The positive PFS demonstrates the opportunity to create substantial long-term sustainable shareholder value at a low capital cost.

<b>Authier Lithium Project PFS Highlights</b>		
<b>Description</b>	<b>Unit</b>	<b>Results</b>
Average Annual Ore Feed to the Plant	tonnes	700,000
Annual Average Spodumene Production	tonnes	99,000
Life-of-Mine and processing operations	years	13/15
Life-of-Mine Strip Ratio	waste to ore	6:1
Average Spodumene Price based on 5.75% Li <sub>2</sub> O	US\$/tonne	515
Development Capital Costs	C\$ million	66
Total Life of Mine Capital Costs	C\$ million	113
Total Net Revenue (real terms)	C\$ million	978
Total Project EBITDA (real terms)	C\$ million	449
Average Life of Mine Cash Costs (Montreal Port FOB basis)	C\$/tonne	367
Net Present Value (real terms @ 8% discount rate)	C\$ million	140
Pre-Tax Internal Rate of Return	%	39
Project Payback Period	years	2.2
Exchange Rate	CAD:USD	0.76

The positive PFS is considered sufficient to determine, in accordance with the JORC Code 2012, that a subset of the Measured and Indicated Mineral Resource (please see ASX announcement "Authier Lithium Project JORC Resource Significantly Expanded", 23 November 2016) be classified as Ore Reserves – see table below.

<b>Authier JORC Ore Reserve Estimate (0.45% Li<sub>2</sub>O cut-off grade)</b>			
<b>Category</b>	<b>Tonnes (Mt)</b>	<b>Grades (%Li<sub>2</sub>O)</b>	<b>Contained Li<sub>2</sub>O</b>
<b>Proven Reserve</b>	4.9	0.97%	47,821
<b>Probable Reserve</b>	5.3	1.06%	55,904
<b>Total Reserves</b>	<b>10.2</b>	<b>1.02%</b>	<b>103,725</b>

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**Note:** The Ore Reserve estimate is based on the details published in a separate ASX release "Authier Maiden JORC Ore Reserves", 16 February 2017.

Subsequent to the completion of the PFS, the Company committed to a further 4,100 metres of drilling at Authier to expand the JORC Resource. The contained lithium oxide Mineral Resource has increased by 21% from 146,700 tonnes to 177,212 tonnes compared to the November 2016 estimate. The Measured and Indicated Mineral Resource categories represent 88% of the total Mineral Resource estimate.

Authier JORC Mineral Resources Estimate (0.45% Li <sub>2</sub> O cut-off grade)			
Category	Tonnes (Mt)	Grades %Li <sub>2</sub> O	Contained Li <sub>2</sub> O
Measured	5.62	1.01%	56,762
Indicated	9.57	1.03%	98,571
Inferred	2.21	0.99%	21,879
<b>Total</b>	<b>17.40</b>	<b>1.02%</b>	<b>177,212</b>

Following the completion of a Pre-feasibility Study in February 2017, the Company has adopted a 0.45% Li<sub>2</sub>O cut-off grade compared to the 0.5% Li<sub>2</sub>O cut-off used in historical resource estimates.

The Company is now working on a number of work programs to progress and expand the project value, including hydrogeological, geotechnical, and metallurgical assessments. Following completion of the programs, the February 2017 Pre-Feasibility Study will be updated, and a new Ore Reserve statement published. This will form the basis of the Definitive Feasibility Study which the Company will anticipate completing in 2018. In addition, the Company is advancing its permitting activities including, the environmental and mining lease approvals.

#### **Western Australian Lithium Projects**

Western Australia is a premium lithium province with world-class, high-grade lithium deposits associated with rare metal pegmatites. Sayona's Pilbara tenements and the Great Sandy Option tenements are prospective for spodumene and work is planned to systematically explore for complex rare metal pegmatites, the source of spodumene.

The Company has a total of 17 tenements in the Pilbara Region, covering a total area of 1918km<sup>2</sup>. Of these, 9 (871km<sup>2</sup>) were acquired through a joint venture deal with Great Sandy whereby Sayona could acquire an 80% interest, with the Mallina Project - E47/2983, being the flagship project. The remaining 8 tenements cover a total of 1047km<sup>2</sup> and can be divided into 6 project areas; Tabbatabba, Cooglegong, Moolyella, Wodgina, Friendly Creek and Red Rock / Carlindie. Of these, Tabbatabba is the most advanced with work there having identified 3 new complex pegmatites.

During the period, the primary focus of the exploration activities was at the Mallina project. The Company identified a number of pegmatite systems through surface mapping and sampling. During March 2017, 1,343 metres of drilling was completed. At each target drilling intersected pegmatite but of relatively low grade. The eastern group of pegmatites returned the broadest zones of pegmatite, with up to 19 metres downhole width (recorded in SMRC001). The pegmatites have been variably altered by silicification, which results in zones of green, fine grained silica rich replacement pegmatite. Ongoing work is aimed at identifying higher-grade pegmatite systems in the area.

#### **East Kimberley Graphite Project**

No work was completed during the period.

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**FINANCIAL POSITION, CONTINUED OPERATIONS AND FUTURE FUNDING**

At 30 June 2017, the Company's Statement of Financial Position shows total assets of \$9,411,035, of which \$1,216,054 was cash, total liabilities of \$549,092 and net assets of \$8,861,943. Committed exploration & evaluation expenditure in the next 12 months totals \$300,632.

The financial statements have been prepared on a going concern basis which contemplates that the group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The ability of the group to execute its currently planned activities requires the group to raise additional capital within the next 12 months. Because of the nature of its operations, the Directors recognise that there is a need on an ongoing basis for the group to regularly raise additional cash funds to fund future exploration activity and meet other necessary corporate expenditure. Accordingly, when necessary, the group investigates various options for raising additional funds which may include but is not limited to an issue of shares, a farm-out of an interest in one or more exploration tenements or the sale of exploration assets where increased value has been created through previous exploration activity.

At the date of this financial report, the group has commenced a number of these initiatives. The Directors have concluded that in the current circumstances there exists a significant uncertainty that may cast doubt regarding the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after taking into account the various funding options available, the Directors have a reasonable expectation that the group will be successful with future fundraising initiatives and, as a result, will have adequate resources to fund its future operational requirements and for these reasons they continue to adopt the going concern basis in preparing the financial report.

The financial report does not include adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

The Directors believe that the group is in a stable financial position.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Significant changes during the year include:

- During the period from 19 July to 15 September 2016, the Company completed a private placement and fully underwritten, accelerated rights offering to raise \$7.0 million. The terms of the capital raising, included:
  - a private placement of 133,067,264 shares at an issue price of \$0.027 per share and 66,533,638 free attaching options, exercisable at \$0.03 and expiring 30 December 2016 ;
  - a 1 for 5 entitlement offer at an issue price of \$0.027 per share, resulting in the issue of 107,455,056 new shares;
  - 1 free attaching option, exercisable at \$0.03 and expiring 30 December 2016, for every 2 shares applied for;
  - a placement, pursuant to shareholder approval of 22,222,222 shares at an issue price of \$0.027 per share and 11,111,111 free attaching options, exercisable at \$0.03 and expiring 30 December 2016; and
  - the issue of 5,000,000 listed options in part settlement of raising management and underwriting fees.
- On 15 September 2016, the Company issued 1,851,852 shares at an issue price of \$0.027 per share and 3,000,000 shares on 12 December 2016 at an issue price of \$0.025 per share in settlement of commitments under tenement acquisition agreements.



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- During the year, 43,764,995 listed options exercisable at 3 cents were exercised by option holders. Proceeds of \$1,309,810 were received by the Company. The remaining 192,007,117 listed options expired on the 30 December 2016.
- On 30 December 2016, 6,000,000 unlisted employee options were exercised at 1 cent, raising \$60,000. An additional 6,000,000 unlisted employee options were exercised at 1.5 cent, raising \$90,000 on 30 June 2017.
- On 11 January 2017, the Company issued 19,000,000 fully paid shares, at an issue price of \$0.03 per share in respect of the partial underwriting of the exercise of listed share options, raising \$570,000. A further 1,710,000 fully paid shares at an issue price of \$0.03 was issued in settlement of underwriting fees.
- On 22 February 2017, the Company made the final payment of \$120,000 in relation to the Heads of Agreement with Attgold Pty Ltd, covering a number of East Kimberley graphite tenements. The payment was settled through the issue of 3,750,000 of shares in Sayona Mining Limited.
- On 22 May 2017, the Company issued 47,371,469 fully paid shares, at an issue price of \$0.017 to raise \$805,315, pursuant to an underwritten Share Purchase Plan.
- On 25 May 2017, the Company issued 40,863,882 fully paid shares, at an issue price of \$0.017 to raise \$694,686 as the underwritten component of the Share Purchase Plan.

**SIGNIFICANT EVENTS AFTER BALANCE DATE**

The Company continues to examine further funding sources for Group operations.

No other matters or circumstances have arisen since 30 June 2017, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

**FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

During the year, the Company has 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 has assembled a portfolio of exploration and development assets to help achieve this outcome.

The Company's strategic focus will continue to be the exploration, evaluation and potential for development of these assets. The assets range from early stage exploration to advanced projects with potential for advancement to production.

To achieve these outcomes the Company is likely to require additional capital. The form of this funding is currently undetermined and likelihood of success unknown. Consequently, it is not possible at this stage to predict future results of the activities.

*Business Risks*

The following exposure to business risks may affect the Group's ability to achieve the objectives outlined above:

- exploration and evaluation success on individual projects;
- the ability to raise additional funds in the future; and
- the Group's ability to identify and acquire an interest in additional projects, if required.

**ENVIRONMENTAL REGULATION**

The Company's operations are subject to environmental regulation under the law in Australia and Canada. The Directors monitor the Company's compliance with environmental regulation under law,

**OPERATING AND FINANCIAL REVIEW**

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in relation to its exploration activities. The Directors are not aware of any compliance breach arising during the year and up to the date of this report.

**PREVIOUS DISCLOSURE - 2012 JORC CODE**

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

- Authier Lithium Project JORC Significantly Expanded, 23 November, 2016
- Authier Project Pre-Feasibility Study, 16 February 2017
- Authier Maiden JORC Ore Reserve, 16 February 2017
- Mallina Drilling Program Completed, 17 July 2017
- Authier JORC Mineral Resource Significantly Expanded, 14 June 2017

Copies of these reports are available to view on the Sayona Mining Limited website [www.sayonamining.com.au](http://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.

**REMUNERATION REPORT**

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**REMUNERATION POLICY**

The Company's remuneration policy ordinarily seeks to align Director and executive objectives with those of shareholders and the business, while at the same time recognising the development stage of the Company and the criticality of funds being utilised to achieve development objectives. The Board believes that the current policy has been appropriate and effective in achieving a balance of objectives.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is based on the following:

- The remuneration policy developed and approved by the Board.
- KMP may receive a base salary, superannuation, fringe benefits, options and performance incentives.
- The remuneration structure for KMP is based on a number of factors including length of service, particular experience of the individual concerned and overall performance of the group.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the KMP and company with those of the shareholders.
- The Board reviews KMP packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each party and is based predominantly on the forecast growth of the consolidated group, project milestones and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives possible and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board collectively determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using a binomial lattice pricing model which incorporates all market vesting conditions.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using the Company's shares as collateral in any financial transaction, including margin loan arrangements.

**ENGAGEMENT OF REMUNERATION CONSULTANTS**

The Company does not engage remuneration consultants.

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**PERFORMANCE BASED REMUNERATION**

KPIs are set annually, in consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and shareholder value, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and relevant industry standards.

**RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE**

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim. The first is a performance based bonus based on KPIs and the second, is the issue of options to executives and directors to encourage the alignment of personal and shareholder interests. The Company believes this policy has been effective in increasing shareholder wealth over recent years.

The following table shows some key performance data of the Group for the last 3 years, together with the share price at the end of the respective financial years.

	2015	2016	2017
Exploration expenditure (\$)	310,394	2,712,521	7,109,318
Exploration tenements (no. including applications)	4	14	25
Net assets (\$)	822,501	1,333,669	8,861,943
Share Price at Year-end (\$)	0.0009	0.0287	0.015
Dividends Paid (\$)	NIL	NIL	NIL

**EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL**

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

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Key Management Personnel	Position held at 30 June 2017 & change during period	Contract Details	Proportion of Remuneration:		Total
			Related to performance	Not related to performance	
			Options	Salary & Fees	
D O'Neill	Executive Director	No fixed term, termination as provided by Corporations Act	-	100%	100%
P Crawford	Executive Director Company Secretary	No fixed term, termination as provided by Corporations Act	-	100%	100%
A Buckler	Non-executive Director	No fixed term, termination as provided by Corporations Act	-	100%	100%
J Brown	Non-executive Director	No fixed term, termination as provided by Corporations Act	-	100%	100%
C Nolan	Chief Executive Officer	No fixed term, 3 months' notice to terminate.	-	100%	100%

**Employment Contract of Chief Executive Officer**

The Company entered into a contract for service with Mr Corey Nolan, Chief Executive Officer on 1 July 2015.

The Company may terminate the Chief Executive Officer's contract by giving 3 months' notice. In the case of serious misconduct the Company can terminate employment at any time. The contract provides for annual review of the compensation value. The terms of this agreement are not expected to change in the immediate future.

**CHANGES IN DIRECTORS AND EXECUTIVES SUBSEQUENT TO YEAR-END**

There have been no changes to Directors or executives since the end of the financial year.

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**REMUNERATION REPORT**

**REMUNERATION EXPENSE DETAILS**

The remuneration of each Director and Chief Executive Officer of the Company during the year was as following table. Amounts have been calculated in accordance with Australian Accounting Standards.

<b>2017</b>	<b>Short term benefits</b>		<b>Equity Settled Options</b>	<b>Post-employment superannuation</b>	<b>Long term benefits</b>	<b>Total</b>
<b>Key Management Personnel</b>	<b>Salary &amp; Fees</b>	<b>Non-Cash Benefits</b>				
D O'Neill	109,589	-	-	10,411	-	120,000
P Crawford (1)	120,000	-	-	-	-	120,000
A Buckler (2)	60,000	-	-	-	-	60,000
J Brown (3)	67,500	-	-	-	-	67,500
C Nolan	228,311	-	-	21,689	-	250,000
	585,400	-	-	32,100	-	617,500

<b>2016</b>	<b>Short term benefits</b>		<b>Equity Settled Options</b>	<b>Post-employment superannuation</b>	<b>Long term benefits</b>	<b>Total</b>
<b>Key Management Personnel</b>	<b>Salary &amp; Fees</b>	<b>Non-Cash Benefits</b>				
D O'Neill	91,324	-	34,366	8,676	-	134,366
P Crawford (1)	100,000	-	34,366	-	-	134,366
A Buckler (2)	30,000	-	34,366	-	-	64,366
J Brown (3)	30,000	-	34,366	-	-	64,366
C Nolan	176,365	-	4,493	15,438	-	196,296
	427,689	-	141,957	24,114	-	593,760

- (1) Represents payments made to Cambridge Business & Corporate Services, an entity controlled by Mr Paul Crawford, to provide directorial and corporate financial services.
- (2) Represents payments made to Shazo Holdings Pty Ltd, an entity controlled by Mr Allan Buckler, to provide directorial and exploration services.
- (3) Represents fees accrued but not paid at year end, to Mr James Brown.

**SECURITIES RECEIVED THAT ARE NOT PERFORMANCE-RELATED**

No members of KMP may receive securities that are not performance-based as part of their remuneration package.

**SAYONA MINING LIMITED**  
**ABN 26 091 951 978**

**REMUNERATION REPORT**

**SHARE BASED PAYMENTS**

No options were granted as remuneration to KMP during the year.

The terms and conditions relating to options granted as remuneration to KMP during the previous year are as follows:

KMP	Grant Date	Grant Value	Reason for Grant Note 1	Percentage Vested/Paid in Year Note 2	Percentage Forfeited in Year	Percentage Remaining Unvested	Expiry Date for Vesting or Payment	Value Range of Future Payments
C Nolan	8.07.2015	\$1,765	(a)	100%	-	-	30.06.16	\$0-\$30,000
C Nolan	8.07.2015	\$1,333	(a)	100%	-	-	31.12.16	\$0-\$60,000
C Nolan	8.07.2015	\$1,396	(a)	100%	-	-	30.06.17	\$0-\$90,000
D O'Neill	25.11.2015	\$34,366	(b)	100%	-	-	30.06.17	\$0-\$150,000
P Crawford	25.11.2015	\$34,366	(b)	100%	-	-	30.06.17	\$0-\$150,000
A Buckler	25.11.2015	\$34,366	(b)	100%	-	-	30.06.17	\$0-\$150,000
J Brown	25.11.2015	\$34,366	(b)	100%	-	-	30.06.17	\$0-\$150,000

Note 1(a) The options were granted to CEO Mr Nolan as part of the Group's incentive and motivation strategy for the recruitment and retention of key executives. Options vested immediately on grant date.

Note 1(b) The options were granted to Directors pursuant to shareholder approval at the 2015 Annual General Meeting.

The options entitle the holder to one ordinary share in the Company for each option held. Option values at grant date were determined using the binomial valuation method.

There have not been any alterations to the terms or conditions of any grants since grant date.

Movements in option holdings in the current year are:

KMP	Balance 1 July 2016	Grant Details			Exercised		Lapsed	Balance 30 June 2016
		Issued Date	No.	Value \$	No.	Value \$	No.	
				<b>Note 1</b>	<b>Note 2</b>	<b>Note 3</b>		
C Nolan	6,000,000	8.07.15	6,000,000	1,333	6,000,000	1,333	-	-
C Nolan	6,000,000	8.07.15	6,000,000	1,396	6,000,000	1,396	-	-
D O'Neill	5,000,000	25.11.15	5,000,000	34,366	-	-	5,000,000	-
P Crawford	3,500,000	25.11.15	5,000,000	34,366	1,500,000	10,310	2,000,000	-
A Buckler	5,000,000	25.11.15	5,000,000	34,366	-	-	5,000,000	-
J Brown	5,000,000	25.11.15	5,000,000	34,366	-	-	5,000,000	-

Note 1 The fair value of options granted as remuneration and shown in the table above has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period.

Note 2 All options exercised resulted in the issue of ordinary shares in Sayona Mining Limited on a 1:1 basis. All persons exercising option paid the applicable exercise price.

Note 3 The value of options exercised during the year as shown in the table above was determined as at the time of the exercise.

**SAYONA MINING LIMITED**  
**ABN 26 091 951 978**

**REMUNERATION REPORT**

**DESCRIPTION OF OPTIONS ISSUED AS REMUNERATION**

Details of options granted by Sayona Mining Limited as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Entitlement on Exercise	Dates Exercisable	Exercise Price	Value per Option at Grant Date	Amount Paid/Payable by Recipient
8.07.2015	1:1 ordinary share	31.12.2016	1.0 cents	0.02221 cents	-
8.07.2015	1:1 ordinary share	30.06.2017	1.5 cents	0.02326 cents	-
25.11.2015	1:1 ordinary share	30.06.2017	3.0 cents	0.68733 cents	-

Option values have been determined using the binomial pricing model.

**KMP SHAREHOLDINGS**

The number of ordinary shares held by each KMP of the Group during the financial year is as follows:

Key Management Personnel	Balance 1 July 2016	Remuneration	Exercise of Options (*)	Other Changes (**)	Balance 30 June 2017
D O'Neill	70,255,241	-	750,000	588,236	71,593,477
P Crawford	80,180,974	-	3,351,852	5,468,410	89,001,236
A Buckler	83,081,394	-	2,000,000	882,353	85,963,747
J Brown	2,048,295	-	-	-	2,048,295
C Nolan	6,000,000	-	12,000,000	(2,800,000)	15,200,000
Total	241,565,904	-	18,101,852	4,138,999	263,806,755

\*Remuneration options and listed options

\*\* Share trades and participation in share issues

**OTHER EQUITY-RELATED KMP TRANSACTIONS**

There were no other transactions involving equity instruments apart from those described in the tables above relating to options and shares.

**OTHER TRANSACTIONS WITH KMP AND/OR THEIR RELATED PARTIES**

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.



**SAYONA MINING LIMITED**  
**ABN 26 091 951 978**

**REMUNERATION REPORT**

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The Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



**Dennis O'Neill**  
**Director**

Signed: 12<sup>th</sup> day of September 2017  
Brisbane, Queensland



**Paul Crawford**  
**Director**

**Auditor's Independence Declaration****Under Section 307C of the *Corporations Act 2001*****To the Directors of Sayona Mining Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sayona Mining Limited and the entities it controlled during the year.

**Nexia Brisbane Audit Pty Ltd****N D Bamford**

Director

Date: 12 September 2017

**Nexia Brisbane Audit Pty Ltd**

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**SAYONA MINING LIMITED**

**ABN 26 091 951 978**

**DIRECTORS' DECLARATION**

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The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance of the consolidated group for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. The directors have been given the declarations by their Chief Executive Officer and Chief Finance Officer required by section 259A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.



**Dennis O'Neill**  
**Director**



**Paul Crawford**  
**Director**

Dated this: 12th day of September 2017

**SAYONA MINING LIMITED AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the year ended 30 June 2017

	Note	<b>Consolidated Group</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
Revenue and other income	2	14,539	42,764
Administrative expenses		(1,039,795)	(577,242)
Exploration expenditure expensed during year	3	(723,893)	(1,273,785)
Remuneration Expense		(655,701)	(623,919)
Foreign exchange losses		(34,553)	-
Occupancy costs		(52,673)	(40,562)
Net loss on financial asset at fair value through profit and loss	3	(78,462)	(39,231)
<b>Loss before income tax</b>	3	<b>(2,570,538)</b>	<b>(2,511,975)</b>
Tax expense	4	-	-
<b>Loss for the year</b>		<b>(2,570,538)</b>	<b>(2,511,975)</b>
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>		-	-
Exchange differences on translating foreign operations		(125,752)	-
<b>Items that will not be reclassified to profit or loss:</b>		-	-
<b>Other comprehensive income for the year</b>		<b>(125,752)</b>	<b>-</b>
<b>Total comprehensive income or (loss) attributable to members</b>		<b>(2,696,290)</b>	<b>(2,511,975)</b>
<b>Earnings per Share:</b>			
Basic and diluted earnings per share (cents per share)	6	(0.31)	(0.50)
Dividends per share (cents per share)		-	-

The accompanying notes form part of these financial statements.

**SAYONA MINING LIMITED AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2017

	Note	Consolidated Group	
		2017	2016
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,216,054	62,603
Trade and other receivables	9	321,259	36,886
Other financial assets	10	-	78,462
Other assets	11	42,264	14,850
<b>Total Current Assets</b>		<b>1,579,577</b>	<b>192,801</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	7,297	6,025
Exploration and evaluation asset	13	7,824,161	1,438,736
<b>Total Non-Current Assets</b>		<b>7,831,458</b>	<b>1,444,761</b>
<b>TOTAL ASSETS</b>		<b>9,411,035</b>	<b>1,637,562</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	502,821	284,183
Provisions	15	46,271	19,710
<b>Total Current Liabilities</b>		<b>549,092</b>	<b>303,893</b>
<b>TOTAL LIABILITIES</b>		<b>549,092</b>	<b>303,893</b>
<b>NET ASSETS</b>		<b>8,861,943</b>	<b>1,333,669</b>
<b>EQUITY</b>			
Issued capital	16	63,165,259	52,945,695
Reserves	17	(125,752)	146,959
Accumulated losses		(54,177,564)	(51,758,985)
<b>TOTAL EQUITY</b>		<b>8,861,943</b>	<b>1,333,669</b>

The accompanying notes form part of these financial statements.

**SAYONA MINING LIMITED AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**STATEMENT OF CHANGES IN EQUITY**

**for the year ended 30 June 2017**

Consolidated Group		Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
		\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>		50,069,511	(44,719,780)	(4,527,230)	-	822,501
Loss attributable to members of the entity		-	(2,511,975)	-	-	(2,511,975)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	(2,511,975)	-	-	(2,511,975)
<b>Other transfers</b>						
Reserve transferred to retained earnings		-	(4,527,230)	4,527,230	-	-
Total other		-	(4,527,230)	4,527,230	-	-
<b>Transactions with owners in their capacity as owners</b>						
Shares issued during the year	16	3,083,284	-	-	-	3,083,284
Transaction costs		(207,100)	-	-	-	(207,100)
Share based payments	23	-	-	-	146,959	146,959
Total transactions with owners		2,876,184	-	-	146,959	3,023,143
<b>Balance at 30 June 2016</b>		52,945,695	(51,758,985)	-	146,959	1,333,669
Loss attributable to members of the entity		-	(2,570,538)	-	-	(2,570,538)
Other comprehensive income for the year		-	-	(125,752)	-	(125,752)
Total comprehensive income for the year		-	(2,570,538)	(125,752)	-	(2,696,290)
<b>Other</b>						
Reserve transferred to retained earnings		-	151,959	-	(151,959)	-
Total other		-	151,959	-	(151,959)	-
<b>Transactions with owners in their capacity as owners</b>						
Shares issued during the year	16	10,968,353	-	-	-	10,968,353
Transaction costs		(748,789)	-	-	-	(748,789)
Share based payments	23	-	-	-	5,000	5,000
Total transactions with owners		10,219,564	-	-	5,000	10,224,564
<b>Balance at 30 June 2017</b>		63,165,259	(54,177,564)	(125,752)	-	8,861,943

The accompanying notes form part of these financial statements.

**SAYONA MINING LIMITED AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**STATEMENT OF CASH FLOWS**

**for the year ended 30 June 2017**

	Note	<b>Consolidated Group</b>	
		<b>2017</b>	<b>2016</b>
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(2,379,033)	(2,137,423)
Interest received		14,539	26,361
<b>Net cash provided by (used in) operating activities</b>	18	<u>(2,364,494)</u>	<u>(2,111,062)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	12	(8,342)	(6,328)
Capitalised exploration expenditure	13	(6,436,177)	(1,418,736)
<b>Net cash provided by (used in) investing activities</b>		<u>(6,444,519)</u>	<u>(1,425,064)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		10,672,053	3,023,196
Costs associated with share and option issues		(709,589)	(162,012)
<b>Net cash provided by (used in) financing activities</b>		<u>9,962,464</u>	<u>2,861,184</u>
<b>Net increase (decrease) in cash held</b>		1,153,451	(674,942)
<b>Cash at beginning of financial year</b>		62,603	737,545
Effect of exchange rates on cash holdings in foreign currencies		-	-
<b>Cash at end of financial year</b>	8	<u>1,216,054</u>	<u>62,603</u>

The accompanying notes form part of these financial statements.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Sayona Mining Limited and Controlled Entities (the "Consolidated Group" or "Group").

The separate financial statements of the parent entity, Sayona Mining Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Financial information for Sayona Mining Limited as an individual entity is included in Note 26.

The financial statements have been authorised for issue as at the date of the Directors' Declaration.

#### Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Sayona Mining Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 27.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

#### Continued Operations and Future Funding

The financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The ability of the group to execute its currently planned activities requires the group to raise additional capital within the next 12 months. Because of the nature of its operations, the Directors recognise that there is a need on an ongoing basis for the group to regularly raise additional cash funds to fund future exploration activity and meet other necessary corporate expenditure. Accordingly, when necessary, the Group investigates various options for raising additional funds which may include but is not limited to an issue of shares, a farm-out of an interest in one or more exploration tenements or the sale of exploration assets where increased value has been created through previous exploration activity.



# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Continued Operations and Future Funding (continued)

At the date of this financial report, the Group has commenced a number of these initiatives. The Directors have concluded that in the current circumstances, there exists a significant uncertainty that may cast doubt over the Group's ability to continue as a going concern. Nevertheless, after taking into account the various funding options available, the Directors have a reasonable expectation that the group will be successful with future fund raising initiatives and, as a result, will have adequate resources to fund its future operational requirements and for these reasons they continue to adopt the going concern basis in preparing the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

#### Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for plant and equipment are in the range between 20% and 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

#### Exploration and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised, where the Group has right of tenure, to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

The term "Joint Operation" has been used to describe "farm-in" and "farm-out" arrangements.

Where the Group has entered into joint operation agreements on its areas of interest, the earn-in contribution by the joint operation partner is offset against expenditure incurred. Earn-in contributions paid, or expenditure commitments incurred by the company to acquire a joint venture interest are expensed when incurred up to the time an interest is acquired.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Restoration Costs

The Group currently has no obligation for any restoration costs in relation to discontinued operations, nor is it currently liable for any future restoration costs in relation to current areas of interest. Consequently, no provision for restoration has been deemed necessary.

#### Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include consideration of external and internal sources of information. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

#### Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis after initial recognition, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments

##### *Initial Recognition and Measurement*

Financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. This is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified "at fair value through profit or loss" in which case transactions are expensed to profit or loss immediately.

##### *Classification and Subsequent Measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

##### *i. Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

##### *ii. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

##### *iii. Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments (continued)

##### *Impairment*

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

##### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### Foreign Currency Transactions and Balances

##### *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

##### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income otherwise the exchange difference is recognised in the profit or loss.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign Currency Transactions and Balances (continued)

##### *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

#### Employee Benefits

##### *Short-term employee benefits*

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

##### *Other long-term employee benefits*

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

#### Equity Settled Compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a binomial pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

#### Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### Issued Capital

Ordinary shares are classified as equity. Transaction costs (net of tax, where the deduction can be utilised) arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

Where share application monies have been received, but the shares have not been allotted, these monies are shown as a payable in the statement of financial position.

Share options are classified as equity and issue proceeds are taken up in the option reserve. Transaction costs (net of tax where the deduction can be utilised) arising on the issue of options are recognised in equity as a reduction of the option proceeds received.

#### Revenue and Other Income

Interest revenue is recognised using the effective interest method. All revenue is stated net of the amount of goods and services tax.

#### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

#### Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with amounts normally paid within 30 days of recognition of the liability.

#### Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Earnings per Share (EPS)

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

##### *Diluted earnings per share*

Diluted earnings per ordinary share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

##### *Adjusting Events*

The weighted average number of shares outstanding during the period and for all periods presented are adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

#### Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

##### *Key Estimates:*

##### Impairment - general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. No impairment has been recognised for the year.

##### *Key Judgments:*

##### Exploration and evaluation expenditure (Note 13):

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. During the year exploration and evaluation expenditure totalled \$7,109,318, of which \$723,893 was written-off and \$6,385,425 was capitalised. Capitalised expenditure at the end of the reporting period is \$7,824,425.

##### Going Concern:

Refer to comments in Note 1 on Continued Operations and Future Funding.

#### New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are relevant to the Group, but not yet mandatorily applicable, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).



# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the financial year ended 30 June 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New Accounting Standards for Application in Future Periods (continued)

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The directors currently anticipate that the adoption of AASB 9 will have no significant impact on the Group's financial instruments.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Directors are currently of the view that any impact is immaterial to the financial statements.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 2: REVENUE AND OTHER INCOME

	2017 \$	2016 \$
Interest received from unrelated parties	14,539	26,361
Foreign exchange gains	-	15,843
Gain on disposal of controlled entity	-	560
<b>Total revenue and other income</b>	<b>14,539</b>	<b>42,764</b>

### NOTE 3: LOSS FOR THE YEAR

Loss before income tax include the following specific expenses:

#### (i) Expenses:

Included in expenses are the following items:

Net loss on financial asset at fair value through profit and loss	78,462	39,231
Rental expense on operating lease	38,504	36,851
Foreign exchange loss	34,553	-
Depreciation	7,070	1,837

#### (ii) Significant Revenue and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

Exploration and evaluation expenditure expensed during the year	(723,893)	(1,273,785)
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### NOTE 4: INCOME TAX EXPENSE

(a) The prima facie tax on loss from ordinary activities is reconciled to the income tax as follows:

Prima facie tax payable on loss from ordinary activities before income tax at 27.5% (2016: 30%).	(706,898)	(753,593)
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#### Adjust for tax effect of:

Exploration expenditure capitalised	(511,369)	(283,876)
Other deductible costs (net)	(54,152)	-
Other non-deductible costs (net)	-	344,476
Tax losses and temporary differences not brought to account	1,272,419	692,993

Income tax expense attributable to entity	-	-
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Weighted average effective tax rate (nil due to tax losses)	0.00%	0.00%
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(b) Deferred tax assets and liabilities not brought to account, the net benefit of which will only be realised if the conditions for deductibility set out in Note 1 occur:

Temporary differences	188,823	171,196
Tax losses - Revenue	6,902,060	6,160,656
Tax losses - Capital	6,175,038	6,736,405
Net unbooked deferred tax asset	13,265,921	13,068,257

The Group has unconfirmed carry forward losses for revenue of \$25,098,400 (2016: \$20,535,521) and for capital of \$22,454,683 (2016: \$22,454,683).

The tax benefits will only be obtained if the conditions in Note 1 are satisfied; the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised and if the economic entity continues to comply with the conditions for deductibility imposed by the relevant tax legislation.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP), and other information (including equity interests) for the year ended 30 June 2017.

(a) The names of key management personnel of the Group who have held office during the financial year are:

Key Management Personnel	Position
Dennis O'Neill	Managing Director
Paul Crawford	Director - Executive
Allan Buckler	Director - Non-executive
James Brown	Director - Non-executive
Corey Nolan	Chief Executive Officer

(b) The totals of remuneration paid to KMP of the Company and Group during the year are as follows:

	2017 \$	2016 \$
Short-term remuneration	585,400	427,689
Post-employment benefits	32,101	24,114
Other long-term benefits	-	-
Share-based payments	-	141,957
Total KMP compensation	617,501	593,760

#### Short-term remuneration

These amounts include salary, fees and benefits paid to the directors.

#### Post-employment benefits

These amounts are the superannuation contributions made during the year.

#### Other long-term benefits

These amounts represent long service benefits accruing during the year.

#### Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the option, rights and shares granted on grant date.

The earnings figures used in the calculation of both the basic EPS and the dilutive EPS are the same as the profit or (loss) in the statement of profit or loss and other comprehensive income.

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS

Weighted average number of options outstanding

Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted EPS

	2017 No.	2016 No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	826,212,422	503,822,436
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted EPS	826,212,422	503,822,436

Options to acquire ordinary shares in the parent company are the only securities considered as potential ordinary shares in determination of diluted EPS. These securities are not presently dilutive and have been excluded from the calculation of diluted EPS.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 6: EARNINGS PER SHARE (continued)

	2017 No.	2016 No.
Ordinary shares issued after 30 June 2017 that significantly change the number of ordinary shares outstanding	-	264,607,005
Options on ordinary shares issued after 30 June 2017 that significantly change the number of ordinary shares outstanding	-	136,372,292

### NOTE 7: AUDITORS' REMUNERATION

	2017 \$	2016 \$
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial reports	34,000	26,700
- other assurance services	-	-
	<u>34,000</u>	<u>26,700</u>

### NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	155,704	52,253
Short-term bank deposits	1,060,350	10,350
Cash at bank and on hand	<u>1,216,054</u>	<u>62,603</u>

The effective interest rate on short-term bank deposits was 2.16% (2016: 1.25%). These deposits have an average maturity of 80 days.

#### Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flow is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	<u>1,216,054</u>	<u>62,603</u>
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### NOTE 9: TRADE AND OTHER RECEIVABLES

#### Current (unsecured):

Other Debtors	321,259	36,886
	<u>321,259</u>	<u>36,886</u>

Other debtors includes \$210,931 of GST/VAT amounts due from the Australian and Canadian taxation authorities, which represents a significant concentration of credit risk to the Group. Other debtors include \$90,000 due from a KMP member. All other debtor amounts are considered recoverable.

### NOTE 10: OTHER FINANCIAL ASSETS

#### Current:

Financial assets at fair value through profit and loss (a)	-	78,462
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- (a) These assets comprise shares in Kimberley Diamonds Limited, received as part of settlement of the Company's deferred sale consideration for its former Lerala diamond mine.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 10: OTHER FINANCIAL ASSETS (continued)

Shares are held for trading for the purposes of short-term profit taking. Changes in fair value are included in profit or loss. During the year, Kimberley Diamonds Limited was de-listed from the ASX and the investment has been fair valued to nil.

### NOTE 11: OTHER ASSETS

	2017	2016
	\$	\$
<b>Current:</b>		
Prepayments	42,264	14,850

### NOTE 12: PLANT AND EQUIPMENT

#### Plant and equipment

At cost	19,842	11,500
Accumulated depreciation	(12,545)	(5,475)
Total plant and equipment	7,297	6,025
Reconciliation of the carrying amounts for property, plant and equipment:		
Balance at the beginning of year	6,025	1,534
Additions	8,342	6,328
Depreciation expense	(7,070)	(1,837)
Carrying amount at the end of year	7,297	6,025

### NOTE 13: EXPLORATION AND EVALUATION ASSET

Exploration & evaluation expenditure carried forward in respect of areas of interest are:

Exploration and evaluation phase - group interest 100% (a)	7,697,147	1,362,774
Exploration and evaluation phase - subject to joint operation (b)	127,014	75,962
	7,824,161	1,438,736
<b>(a) Movement in exploration and evaluation expenditure:</b>	<b>Non-Joint Operation</b>	
Opening balance - at cost	1,362,774	-
Capitalised exploration expenditure	6,334,373	1,362,774
Carrying amount at end of year	7,697,147	1,362,774
<b>(b) Movement in exploration and evaluation expenditure:</b>	<b>Subject to Joint Operation</b>	
Opening balance - at cost	75,962	-
Capitalised exploration & evaluation expenditure	51,052	75,962
Carrying amount at end of year	127,014	75,962

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and development of projects, or alternatively, through the sale of the areas of interest.

Movements during the year on exploration & evaluation assets included \$6,207,579 on the Authier Lithium project in Canada (which includes CAD\$4.0million to acquire the project). A further \$177,846 has been expended on existing projects.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 13: EXPLORATION AND EVALUATION ASSET (continued)

During the year, the Group also expended \$723,893 on investigating and/or sourcing other projects. Of that total, \$170,000 was settled by issue of 5,601,852 ordinary shares in the company.

Commitments in respect of exploration projects are set out in note 20. In addition, the Group has options on projects as set out in Note 25, and as follows:

#### **Authier Lithium Project**

On 16 March 2017, the Company entered into an option-to-purchase agreement to acquire a tenement to the east of the company's Authier project in Quebec, Canada. The option to purchase CDC2187652 is exercisable anytime in the next five years, by making payments including CAD\$25,000 on signing, \$5,000 on each anniversary between years two to five, and CAD\$75,000 on exercise of the option.

### NOTE 14: TRADE AND OTHER PAYABLES

	2017 \$	2016 \$
<b>Current:</b>		
Trade creditors	272,242	185,721
Sundry creditors and accrued expenses	230,579	98,462
Total trade and other payables (unsecured)	502,821	284,183
Financial liabilities at amortised cost classified as trade and other payables:		
Financial liabilities as trade and other liabilities (refer Note 21)	502,821	284,183

### NOTE 15: PROVISIONS

<b>Current:</b>		
Provision for employee entitlements	46,271	19,710
Opening balance	19,710	-
Additional provisions	26,561	19,710
Amounts used	-	-
Balance at year end	46,271	19,710

### NOTE 16: ISSUED CAPITAL

	2017 \$	2016 \$
Fully paid ordinary shares	63,165,259	52,945,695
<b>Ordinary shares issued during the year</b>	<b>No.</b>	<b>No.</b>
Balance at the beginning of the reporting period	537,239,846	411,511,842
Shares issued during the prior year:		125,728,004
Shares issued during the current year:		
8 July 2016, issue new shares at \$0.03 each following exercise of options.	6,250	-
19 July 2016, issue new shares at \$0.03 each following exercise of options.	4,361	-
19 July 2016, issue new shares at \$0.027 each as a placement.	133,067,264	-
20 July 2016, issue new shares at \$0.027 each in the institutional component of the rights issue.	70,539,643	-
17 August 2016, issue new shares \$0.027 each in the retail component of the rights issue.	36,915,413	-
15 September 2016, issue new shares at \$0.027 each as a placement.	22,222,222	-
15 September 2016, issue new shares at \$0.027 each in part settlement of tenement acquisition.	1,851,852	-

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 16: ISSUED CAPITAL (continued)

	2017 No.	2016 No.
10 October 2016, issue new shares at \$0.03 each following exercise of options.	94,064	-
12 December 2016, issue new shares at \$0.025 each in relation to the acquisition of a tenement.	3,000,000	-
30 December 2016, issue new shares at \$0.01 each following exercise of options.	6,000,000	-
11 January 2017, issue new shares at \$0.03 each following exercise of options.	43,660,320	-
11 January 2017, issue new shares at \$0.03 each in relation to the underwriting of options exercise.	19,000,000	-
11 January 2017, issue new shares at \$0.03 each as settlement of underwriting fees.	1,710,000	-
22 February 2017, issue new shares at \$0.032 each as part settlement of tenement acquisition.	3,750,000	-
22 May 2017, issue new shares at \$0.017 each pursuant to a share purchase plan.	47,371,469	-
25 May 2017, issue new shares at \$0.017 each as the underwritten component of a share purchase plan.	40,863,882	-
30 June 2017, issue new shares at \$0.03 each following exercise of options.	1,500,000	-
30 June 2017, issue new shares at \$0.015 each following exercise of options.	6,000,000	-
Balance at reporting date	974,796,586	537,239,846

The July 2016 rights issue was on the basis of 1 share for every 5 shares held.

The May 2017 share purchase plan allowed shareholders to apply for shares up to a maximum amount of \$15,000.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares.

The prior year opening share number of 411,511,842 has been adjusted by 22,967 shares, representing a conversion error in the 2014 share consolidation.

### Options on issue are as follows:

	2017 No.	2016 No.
(i) Unlisted employee and officer options		
Balance at beginning of reporting period	30,500,000	-
Granted	-	38,000,000
Exercised	(13,500,000)	(7,500,000)
Expired	(17,000,000)	-
Balance at reporting date	-	30,500,000
(ii) Listed options		
Balance at beginning of reporting period	99,399,814	-
Granted	136,372,298	110,916,481
Exercised	(43,764,995)	(11,516,667)
Expired	(192,007,117)	-
Balance at reporting date	-	99,399,814

### Capital management policy

Exploration companies such as Sayona Mining are funded by share capital during exploration and a combination of share capital and borrowings as they move into the development and operating phases of their business life (see Note 1).

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 16: ISSUED CAPITAL (continued)

#### Capital management policy (continued)

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

### NOTE 17: RESERVES

#### Foreign currency translation reserve

The foreign currency translation reserve recorded exchange differences arising on translation of a foreign controlled subsidiary.

#### Options reserve

The options reserve records amounts recognised as expenses on valuation of employee share options, equity based payments for services and the net proceeds from the issue of entitlement options to all shareholders.

### NOTE 18: CASH FLOW INFORMATION

	2017 \$	2016 \$
<b>(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax:</b>		
Loss from ordinary activities after income tax	(2,570,538)	(2,511,975)
Non-cash flows in profit from ordinary activities:		
Gain on disposal of controlled entity	-	(560)
Depreciation	7,070	1,837
Share based payments - exploration and corporate	187,100	141,959
Option reserve	-	-
Loss on financial asset at fair value through profit and loss	78,462	39,231
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	(284,373)	(23,827)
(Increase)/Decrease in prepayments	(27,414)	(8,554)
(Decrease)/Increase in creditors and accruals	218,638	231,117
(Increase)/Decrease in provisions	26,561	19,710
Cash flows from operations	<u>(2,364,494)</u>	<u>(2,111,062)</u>

#### (b) Non-cash Financing and Investing Activities

On 15 September 2016, 5,000,000 options were granted in consideration for underwriting fees. These options were exercisable at \$0.03 each and expired on 30 December 2016.

On 15 September 2016, 1,851,852 new shares were issued to Attagold Pty Ltd in part settlement to acquire a 100% interest in Western Australian mineral tenements E80/4949, E80/4959, E80/4968 and E80/4511.

On 12 December 2016, 3,000,000 new shares were evenly issued to both Richard Faucher Consulting Inc and Kiwi Financial Corporation as payment of fees in relation to acquisition of a tenement.

On 11 January 2017, 1,710,000 shares were issued to SMSF Specialists SA in consideration of fees relating to corporate services and underwriting fees.



# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 18: CASH FLOW INFORMATION (continued)

#### (b) Non-cash Financing and Investing Activities (continued)

On 22 February 2017, 3,750,000 new shares were issued to Attgold Pty Ltd in final settlement to acquire a 100% interest in Western Australian mineral tenements E80/4949, E80/4959, E80/4968 and E80/4511.

### NOTE 19: RELATED PARTY TRANSACTIONS

#### (a) The Group's main related parties are as follows:

Key Management Personnel:

Any persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or non-executive) of the Group, are considered key management personnel (see Note 6).

#### (b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

During the year, the parent entity engaged Cambridge Business and Corporate Services, an entity controlled by Mr Paul Crawford, a director of the company, to provide directorial and corporate financial services. Fees of \$120,000 were incurred during the period (2016: \$100,000). \$10,000 was owed by the company at 30 June (2016: \$20,000).

During the year, the parent entity engaged Shazo Holdings Pty Ltd, an entity controlled by Mr Allan Buckler, a director of the company, to provide directorial and exploration technical services. Fees of \$60,000 were incurred during the period (2016: \$30,000). \$15,000 was owed by the company at 30 June (2016: \$30,000).

### NOTE 20: COMMITMENTS

#### (a) Operating lease commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements:

	2017 \$	2016 \$
Not later than 1 year	-	9,369
Between 1 year and 5 years	-	-
Total commitment	-	9,369

The property lease was a non-cancellable lease for the Brisbane office. The lease terminated on 30 September 2016. A new lease has not been executed at 30 June 2017. The guarantee has subsequently been cancelled.

#### (b) Exploration commitments

The entity must meet minimum expenditure commitments on granted exploration tenements to maintain those tenements in good standing. If the relevant mineral tenement is relinquished the expenditure commitment also ceases.

	2017 \$	2016 \$
The following commitments exist at balance date but have not been brought to account.		
Not later than 1 year	300,632	193,651
Between 1 year and 5 years	-	203,562
Total commitment	300,632	397,213

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 21: FINANCIAL RISK MANAGEMENT

The Group's financial instruments mainly comprises cash balances, receivables and payables. The main purpose of these financial instruments is to provide finance for group operations.

The totals for each category of financial instruments, measured in accordance with AASB 139: Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements are detailed in the table outlining financial instruments composition and maturity analysis in part (b) of Note 21.

#### Financial Risk Management Policies

The Board of the company meets on a regular basis to analyse exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board has overall responsibility for the establishment and oversight of the company's risk management framework. Management is responsible for developing and monitoring the risk management policies.

#### Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk, consisting of interest rate risk, foreign exchange risk and equity price risk. These risks are managed through monitoring of forecast cashflows, interest rates, economic conditions and ensuring adequate funds are available.

##### (a) Credit Risk

Credit risk arises from exposures to deposits with financial institutions and sundry receivables (Notes 8 and 9).

Credit risk is managed and reviewed regularly by the Board. The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties.

The carrying amount of cash and receivables recorded in the financial statements represent the Group's maximum exposure to credit risk. Concentration of credit risk is set out in note 21(c) and Note 9.

##### (b) Liquidity Risk

Liquidity risk is the risk that the company will not be able meet its financial obligations as they fall due. This risk is managed by ensuring, to the extent possible, that there is sufficient liquidity to meet liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Board manages liquidity risk by sourcing long-term funding, primarily from equity sources, rather than from borrowing.

#### Financial liability and financial asset maturity analysis

The table below reflects an undiscounted contractual maturity analysis for financial assets and financial liabilities and reflects management's expectations as to the timing of termination and realisation of financial assets and liabilities.

Consolidated Group	1 year or less	1 to 2 years	More than 2 years	Total
	\$	\$	\$	\$
<b>2017</b>				
<b>Financial assets</b>				
Cash and cash equivalents (i)	1,216,054	-	-	1,216,054
Receivables (ii)	321,259	-	-	321,259
Held for trading instruments	-	-	-	-
	1,537,313	-	-	1,537,313
<b>Financial liabilities</b>				
Payables (ii)	502,821	-	-	502,821
	502,821	-	-	502,821
Net cash flow on financial instruments	1,034,492	-	-	1,034,492

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

#### Specific Financial Risk Exposures and Management (continued)

2016	1 year or less	1 to 2 years	More than 2 years	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents (i)	62,603	-	-	62,603
Receivables (ii)	36,886	-	-	36,886
Held for trading instruments	78,462	-	-	78,462
	177,951	-	-	177,951
<b>Financial liabilities</b>				
Payables (ii)	284,183	-	-	284,183
	284,183	-	-	284,183
Net cash flow on financial instruments	(106,232)	-	-	(106,232)

(i) Floating interest with a weighted average effective interest rate of 2.16% (2016: 1.25%)

(ii) Non-interest bearing

#### (c) Market Risks

##### (i) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, arises in relation to the company's bank balances.

This risk is managed through the use of variable rate bank accounts.

##### (ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency movements, primarily in respect of the CAD and US Dollar. No derivative financial instruments are employed to mitigate the exposed risks. This is the Group's current policy and it is reviewed regularly, including forecast movements in these currencies by the senior executive team and the Board.

These foreign exchange risks arose from

- Cash held in CAD and US dollars.
- CAD and US dollar denominated receivables and payables.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	CAD 2017	USD 2017
Cash and cash equivalents	21,764	7,333
Receivables	186,427	-
Payables	(29,716)	(15,780)
Net exposure	178,475	(8,447)
	CAD 2016	USD 2016
Cash and cash equivalents	-	3,300
Net exposure	-	3,300

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

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### NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

#### Specific Financial Risk Exposures and Management (continued)

##### (iii) Other price risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) of securities held (see Note 10).

##### (d) Sensitivity analysis

If the spot Australian Dollar rate strengthened/weakened by 5 percent against the US Dollar, with all other variables held constant, the Group's post-tax result for the year would have been \$549 higher / lower (2016: \$211).

If the spot Australian Dollar rate strengthened/weakened by 5 percent against the Canadian Dollar, with all other variables held constant, the Group's post-tax result for the year would have been \$9,174 higher / lower (2016: nil).

The Group has performed sensitivity analysis relating to its exposure to interest rate risk. At year end, the effect on profit and equity as a result of a 1 % change in the interest rate, with all other variables remaining constant would be +/- \$12,161 (2016: \$626).

##### (e) Fair Values

The aggregate fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and notes to the financial statements. Fair values are materially in line with carrying values, due to the short term nature of all these items. Refer to Note 27 for detailed disclosures regarding the fair value measurement of the Group's financial assets and financial liabilities.

### NOTE 22: CONTINGENT LIABILITIES

There were no material contingent liabilities at the end of the reporting period.

### NOTE 23: SHARE BASED PAYMENTS

#### Options

On 20 July 2016, 35,269,822 options were granted as part of the rights issue to institutional investors. These options were exercisable at \$0.03 each and expired on 30 December 2016.

On 17 August 2016, 18,457,727 options were granted as part of the rights issue to retail investors. These options were exercisable at \$0.03 each and expired on 30 December 2016.

On 15 September 2016, 11,111,111 options were granted as part of a placement. These options were exercisable at \$0.03 each and expired on 30 December 2016.

On 15 September 2016, 66,533,638 options were granted as part of a placement subject to shareholder approval. These options were exercisable at \$0.03 each and expired on 30 December 2016.

On 15 September 2016, 5,000,000 options were granted in consideration for underwriting fees. These options were exercisable at \$0.03 each and expired on 30 December 2016.

All Company options granted are over ordinary shares in Sayona Mining Limited, which confer a right of one ordinary share per option. The options hold no voting or dividend rights.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 23: SHARE BASED PAYMENTS (continued)

#### Options (continued)

Options issued under employee share based payment arrangements are summarised as:	2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	No	\$	No	\$
Outstanding at beginning of the period	30,500,000	0.023	-	-
Granted	-	-	38,000,000	0.021
Forfeited	-	-	-	-
Exercised	13,500,000	0.014	7,500,000	0.010
Expired	17,000,000	0.030	-	-
Outstanding at period end	-	-	30,500,000	0.023
Exercisable and vested at period end	-	-	30,500,000	0.023

The Company established the Sayona Mining Limited Employees and Officers Share Option Plan on 26 November 2014. All members become eligible to participate at the discretion of the Board. Options forfeit one month after the holders ceases to be employed by the Company.

At the date of exercise, the weighted average share price was \$0.03.

The weighted average fair value of options granted in 2016 was \$0.0023, determined by reference to a binomial option valuation method. The fair value of options granted represents the value of employee services received over the vesting period.

#### Shares

On 15 September 2016, 1,851,852 new shares were issued to Attgold Pty Ltd in part settlement to acquire a 100% interest in Western Australian mineral tenements E80/4949, E80/4959, E80/4968 and E80/4511.

On 12 December 2016, 3,000,000 new shares were evenly issued to both Richard Faucher Consulting Inc and Kiwi Financial Corporation as payment of fees in relation to acquisition of a tenement.

On 11 January 2017, 1,710,000 shares were issued to SMSF Specialists SA in consideration of fees relating to corporate services and underwriting fees.

On 22 February 2017, 3,750,000 new shares were issued to Attgold Pty Ltd in final settlement to acquire a 100% interest in Western Australian mineral tenements E80/4949, E80/4959, E80/4968 and E80/4511.

The value of the shares issue was determined by reference to market price.

### NOTE 24: EVENTS AFTER BALANCE SHEET DATE

The company continues to examine further funding sources for Group operations.

There have been no other key events since the end of the financial year.

# SAYONA MINING LIMITED AND CONTROLLED ENTITIES

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## Notes to the Financial Statements for the year ended 30 June 2017

### NOTE 25: JOINT ARRANGEMENTS

The Group has entered into joint arrangements with the following parties. Joint arrangements are in the form of options to acquire mineral tenements. Refer to Note 13 for more information about the arrangements.

#### Sayona Lithium Pty Ltd

On 4 February 2016, the Company entered into a binding heads of agreement with Mr Bruce Legendre to acquire a 100% interest in Western Australian mineral tenement E59/2092.

The agreement provides for an initial payment of \$15,000 and issue of 1,000,000 fully paid ordinary shares in the parent entity to acquire 80% of the tenement with a further 3 year option to acquire the remaining 20% for \$100,000.

The Group holds an 80% interest in the project at 30 June 2017. Under the agreement, the vendor is entitled to receive a 1% gross production royalty and is entitled to explore for and develop other non-lithium commodity within the Tenement during the option period.

On 4 February 2017, the Company entered into an option agreement with Great Sandy Pty Ltd to acquire a number of tenements in the Pilgangoora lithium district of Western Australia.

The option provides for the Company to acquire an 80% interest in all the tenements by making staged payments in cash or shares, at Great Sandy's election, of \$300,000 within 12 months and a further \$300,000 within 24 months of the agreement date. If Sayona makes the second payment within 18 months of the agreement date, the second payment is reduced to \$200,000. The Agreement also provides for a free carrying of Grant Sandy to decision to mine. Great Sandy can elect to convert the 20% interest to a 2% gross smelter royalty. Sayona is required to undertake minimum expenditure of \$100,000 within the first 12 months.

The Group held no interest in the project at 30 June 2017.

### NOTE 26: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Sayona Mining Limited. This information has been prepared using consistent accounting policies as presented in Note 1.

	2017	2016
	\$	\$
Current assets	9,371,478	1,421,418
Non-current assets	7,414	216,144
Total assets	9,378,892	1,637,562
Current liabilities	516,949	303,893
Non-current liabilities	-	-
Total liabilities	516,949	303,893
Contributed equity	63,165,259	52,945,695
Option Reserve	-	146,959
Accumulated losses	(54,303,316)	(51,758,985)
Total equity	8,861,943	1,333,669
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	2,544,331	2,323,416
Total other comprehensive income	-	-
Total comprehensive loss for the year	2,544,331	2,323,416

**SAYONA LIMITED AND CONTROLLED ENTITIES  
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**Notes to the Financial Statements  
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**NOTE 26: PARENT ENTITY INFORMATION (continued)**

**Guarantee**

The parent company no longer has a bank guarantee in relation to the office space. The lease is now on a month-by-month basis.

**Contingent Liabilities**

There are no material contingent liabilities at the end of the reporting period.

**NOTE 27: INTERESTS IN SUBSIDIARIES**

**Information about principal subsidiaries**

Sayona Lithium Pty Ltd, incorporated in Australia on 4 September 1986. The parent entity holds 100% of the ordinary shares of the entity. The company holds options to acquire and tenement applications for lithium tenements in Western Australia.

Sayona East Kimberley Pty Ltd, incorporated in Australia on 18 June 2015. The parent entity holds 100% of the ordinary shares of the entity. The company holds options on graphite tenements in Western Australia.

Sayona International Pty Ltd, incorporated in Australia on 29 April 2016. The parent entity holds 100% of the ordinary shares of the entity. The company was established to hold overseas projects acquired by the Group. No assets were held by the entity at 30 June 2017.

Sayona Quebec Inc, incorporated in Canada on 7 July 2016. The parent entity holds 100% of the ordinary shares of the entity. The company was established to hold overseas projects acquired by the Group. The company holds the Authier lithium project at 30 June 2017.

These subsidiaries have share capital consisting solely of ordinary shares which are held directly by the Group.

There are no significant restrictions over the Group's ability to access or use assets and settle liabilities of the Group.

Each subsidiary's principal place of business is also its country of incorporation, and year ends coincide with the parent company.

**NOTE 28: FAIR VALUE MEASUREMENT**

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- financial assets held for trading.

The Group does not subsequently measure any other assets or liabilities at fair value on a non-recurring basis.

**Fair Value Hierarchy**

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

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**Notes to the Financial Statements  
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**NOTE 28: FAIR VALUE MEASUREMENT (continued)**

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

**Valuation Techniques**

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	30 June 2017		
	(Level 1) \$	(Level 2) \$	(Level 3) \$
<b>Recurring fair value measurements</b>			
Held for trading financial assets	-	-	-
	30 June 2016		
	(Level 1) \$	(Level 2) \$	(Level 3) \$
<b>Recurring fair value measurements</b>			
Held for trading financial assets	78,462	-	-

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique and inputs used:

Description	Note	Fair Value	Valuation Technique(s)	Inputs Used
Assets:				
Shares in other companies	10	2	Market approach using recent observable financial data.	Financial data and share price.

During the year, this asset was reclassified from a level 1 fair value hierarchy to level 2.

**NOTE 29: SEGMENT REPORTING**

The Group operates internationally, in the mineral exploration industry. Segment reporting is based on the whole of entity. Geographical segment information is as follows:



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**Notes to the Financial Statements  
for the financial year ended 30 June 2017**

**NOTE 29: SEGMENT REPORTING (continued)**

**Primary Reporting: Geographical Segments**

	<b>Australia</b>		<b>Overseas</b>		<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>						
Revenue	14,539	42,764	-	-	14,539	42,764
Total revenue from ordinary activities	14,539	42,764	-	-	14,539	42,764
<b>RESULT</b>						
Profit/(loss) from ordinary activities before income tax expense	(2,536,487)	(1,456,292)	(34,051)	-	(2,570,538)	(1,456,292)
Income tax expense	-	-	-	-	-	-
Profit/(loss) from ordinary activities after income tax expense	(2,536,487)	(1,456,292)	(34,051)	-	(2,570,538)	(1,456,292)
	<b>Australia</b>		<b>Overseas</b>		<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>						
Segment assets	2,780,151	1,427,448	6,630,884	210,114	9,411,035	1,637,562
<b>LIABILITIES</b>						
Segment liabilities	517,790	283,954	31,302	19,939	549,092	303,893

There were no transfers between segments reflected in the revenues, expenses or result above. The pricing of any intersegment transactions is based on market values.

Segment accounting policies are consistent with the economic entity.

**NOTE 30: COMPANY DETAILS**

The registered office and principal place of business is:

Sayona Mining Limited  
283 Given Terrace  
Paddington Queensland 4064

## **Independent Auditor's Report to the Members of Sayona Mining Limited**

### ***Report on the Audit of the Financial Report***

#### **Opinion**

We have audited the financial report of Sayona Mining Limited (the Company and its Controlled Entities (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Sayona Mining Limited is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### **Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, as attached to the director's report, has not changed as at the date of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Independent Auditor's Report to the Members of Sayona Mining Limited (continued)

### Emphasis of matter – continued operations and future funding

Without qualifying our opinion, we draw attention to Note 1 in the financial report which states that the Group's ability to execute its currently planned exploration and evaluation activities requires the Group to raise additional capital. As set out in the note the directors have prepared the financial report on a going concern basis.

Should the Group not be able to raise additional capital there exists a significant uncertainty that may cast doubt over the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities should this occur.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying value of exploration and evaluation assets</b></p> <p><b>Refer to note 13 (exploration and evaluation assets)</b></p> <p>As at 30 June 2017 the carrying value of exploration and evaluation assets is \$7,824,161. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 1.</p> <p>This is a key audit matter due to the fact that significant judgement is applied in determining whether the capitalized exploration and evaluation assets meet the recognition criteria set out in AASB6 Exploration for and Evaluation of Mineral Resources.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We obtained evidence as to whether the rights to tenure of the areas of interest remained current at balance date and as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future;</li> <li>• We obtained evidence of the future intention for the areas of interest, including reviewing future budgeted expenditure and related work programs;</li> <li>• We obtained an understanding of the status of ongoing exploration programs, for the areas of interest;</li> <li>• We obtained evidence as to the assumptions made by management in the determination of the recoverable value of the asset.</li> </ul>

## **Independent Auditor's Report to the Members of Sayona Mining Limited (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibility for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**Independent Auditor's Report to the Members of Sayona Mining Limited (continued)**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Independent Auditor's Report to the Members of Sayona Mining Limited (continued)*****Report on the Remuneration Report*****Opinion on the remuneration report**

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Sayona Mining Limited for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Nexia Brisbane Audit Pty Ltd****N D Bamford**

Director

Level 28, 10 Eagle Street  
Brisbane QLD, 4000

Date: 12 September 2017