

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**FINANCIAL REPORT
FOR THE HALF - YEAR ENDED
31 DECEMBER 2013**

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978**

DIRECTORS' REPORT

Your Directors present their report of the Company and its controlled entities for the half year ended 31 December 2013.

DIRECTORS

The names of the Company's Directors in office during the half year or until the date of this report are set out below.

Peter van Riet-Lowe	Alan Buckler (Appointed 4 August 2013)
Wayne Osterberg	James Brown (Appointed 12 August 2013)
Dennis O'Neill	James Allan (Resigned 22 July 2013)
Paul Crawford	Mark Gray (Resigned 22 July 2013)

REVIEW OF OPERATIONS

The Company's operating loss for the half year, after income tax was \$271,521 (2012: \$69,543 loss).

During the period, the Company continued working through its restructuring plan with a view to restoring value to shareholders.

In July 2013, the Company completed a fully underwritten \$1.7 million capital raising and was reinstated to official quotation on the Australian Securities Exchange.

The Company is actively assessing projects on a worldwide basis with a view to acquiring an advanced exploration/development project to add to its portfolio of assets. During the period, Directors assessed the acquisition of a number of projects both in Australia and elsewhere.

During the period, the Company commenced field work on the Wills Creek project, a joint operation with Superior Resources Limited (SPQ) in Northwest Queensland.

Under the terms of the joint operation, Sayona may earn a 50% interest in EPM 17012 by spending \$500,000 on exploration over an initial 2 year period and can earn up to 75% by incurring an additional \$1.5 million of exploration expenditure over the next 2 years.

The joint operation area is prospective for rare earth minerals and copper. Previous sampling of strongly ferruginous material within EPM17012 by SPQ yielded anomalous rare earth and copper values.

Field work comprising geological mapping and geochemical sampling was completed late in the period. Zones of anomalous gold, rare earths and base metal geochemistry were delineated.

In December 2013 Sayona initiated legal proceedings in the High Court in London against Mantle Diamonds Plc for the recovery of USD \$500,000 retained by Mantle as part of warranties and indemnities provisions of the Sale and Purchase agreement for their purchase of the Lerala Diamond mine.

SUBSEQUENT EVENTS

Key events since balance date have been:

- On 17 January 2014 the company advised Superior Resources that it was withdrawing from the Joint Operation as the project did not meet its Corporate objectives.

No other material matters or circumstances have arisen since balance date.

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978**

DIRECTORS' REPORT

AUDITOR INDEPENDENCE

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

Signed in accordance with a resolution of the Directors.



Dennis C. O'Neill
Director
Brisbane

14 March 2014



Paul A. Crawford
Director



Hayes Knight
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
ABN 49 115 261 722
Registered Audit Company 299289

Level 19, 127 Creek Street, Brisbane Qld 4000
GPO Box 1189, Brisbane Qld 4001

T: +61 7 32292022 F: +61 7 32293277
E: email@hayesknightqld.com.au

www.hayesknight.com.au

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 half-year ended 31 December 2013 there have been no contraventions of:

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

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

Hayes Knight Audit (Qld) Pty Ltd.

Hayes Knight Audit (Qld) Pty Ltd

Robertson.

A M Robertson
Director

Level 19, 127 Creek Street,
Brisbane, QLD, 4000

Date: 14 March 2014

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978**

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-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.

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



Dennis C. O'Neill
Director



Paul Crawford
Director

Dated this: 14th day of March 2014

SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
for the half-year ended 31 December 2013

	Note	Consolidated Group	
		31 December 2013 \$	31 December 2012 \$
Revenue		20,733	23,522
Administrative expenses		(175,038)	(98,399)
Current period exploration & evaluation expenditure written-off	13	(114,336)	-
Foreign exchange gains/(losses)		(2,880)	3,856
Restructure costs		-	25,000
Finance costs		-	(23,522)
Loss before income tax expense	2	(271,521)	(69,543)
Income tax expense		-	-
Loss for the half-year		(271,521)	(69,543)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net exchange differences on translation of foreign controlled entities		(3,214)	1,787
Income tax relating to items that may be subsequently reclassified		-	-
		(3,214)	1,787
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the half-year net of tax		(3,214)	1,787
Total comprehensive loss attributable to members		(274,735)	(67,756)
Earnings per Share			
From continuing operations			
Basic earnings per share (cents per share)	12	(0.07)	(0.04)
Diluted earnings per share (cents per share)	12	(0.07)	(0.04)
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**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013**

	Note	Consolidated Group	
		31 December 2013	30 June 2013
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		1,398,462	1,867,893
Trade and other receivables	3	33,900	10,294
Other current assets		24,236	775
Total Current Assets		1,456,598	1,878,962
NON-CURRENT ASSETS			
Property, plant and equipment		4,856	-
Total Non-Current Assets		4,856	-
TOTAL ASSETS		1,461,454	1,878,962
CURRENT LIABILITIES			
Trade and other payables	4	343,672	2,142,644
Borrowings	5	170,197	194,998
Total Current Liabilities		513,869	2,337,642
TOTAL LIABILITIES		513,869	2,337,642
NET ASSETS / DEFICIENCY		947,585	(458,680)
EQUITY			
Issued capital	6	50,039,511	48,358,511
Reserves		(4,553,007)	(4,288,794)
Accumulated losses		(44,538,919)	(44,528,397)
TOTAL EQUITY		947,585	(458,680)

The accompanying notes form part of these financial statements.

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**
ABN 26 091 951 978

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year-ended 31 December 2013

	Note	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2012		48,039,511	(43,898,020)	(4,535,092)	260,999	(132,602)
Loss attributable to members of entity		-	(69,543)	-	-	(69,543)
Other comprehensive income for period		-	-	1,787	-	1,787
Total comprehensive income (loss)		-	(69,543)	1,787	-	(67,756)
Shares issued during the period		-	-	-	-	-
Balance at 31 December 2012		48,039,511	(43,967,563)	(4,533,305)	260,999	(200,358)
Balance at 1 July 2013		48,358,511	(44,528,397)	(4,549,793)	260,999	(458,680)
Loss attributable to members of entity		-	(271,521)	-	-	(271,521)
Other comprehensive income for period		-	-	(3,214)	-	(3,214)
Total comprehensive income (loss)		-	(271,521)	(3,214)	-	(274,735)
Reserve transferred to retained earnings		-	260,999	-	(260,999)	-
Shares issued during the period	6	1,718,500	-	-	-	1,718,500
Transaction Costs	6	(37,500)	-	-	-	(37,500)
Balance at 31 December 2013		50,039,511	(44,538,919)	(4,553,007)	-	947,585

The accompanying notes form part of these financial statements.

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978**

**CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ending 31 December 2013**

	Consolidated Group 31 December 2013 \$	31 December 2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(454,996)	(48,200)
Interest received	20,733	-
Net cash provided by (used in) operating activities	(434,263)	(48,200)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,172)	-
Net cash provided by (used in) investing activities	(5,172)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	50,000
Repayment of borrowings	(30,000)	-
Net cash provided by (used in) financing activities	(30,000)	50,000
Net increase/(decrease) in cash held	(469,435)	1,800
Cash at 1 July	1,867,893	65,359
Effect of exchange rates on cash holdings in foreign currencies	4	(868)
Cash at 31 December	1,398,462	66,291

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 half year-ended 31 December 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

This general purpose financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company and its controlled entities. As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2013, together with any public announcements made during the following half-year.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

Critical Accounting Estimates and Judgements

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2013 annual report.

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

Consolidated financial statements, joint arrangements and disclosure of interests in other entities

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

- AASB 10: *Consolidated Financial Statements*;
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB 11: *Joint Arrangements*;
- AASB 128: *Investments in Associates and Joint Ventures* (August 2011);
- AASB 12: *Disclosure of Interests in Other Entities*;
- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and
- AASB 2012-10: *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments*.

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

Consolidated financial statements:

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in

SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

Notes to the Financial Statements
for the half year-ended 31 December 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

accordance with AASB 3: *Business Combinations*) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012–2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition.

Joint arrangements:

AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Revised AASB 128 facilitates the application of AASB 11 and incorporates guidance relating to the equity method of accounting.

This change did not impact on the amounts reported in the group's financial statements, because all the company's joint arrangements are classified as joint operations.

Disclosure of interest in other entities:

AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128. New disclosures that are material to this interim financial report and associated with the Group's interests in subsidiaries and joint arrangements as prescribed by AASB 12 have been set out in Note 15.

Fair value measurements and disclosures

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. This did not result in any changes to the amounts reported in the group's financial statements.

Other

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*.

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011).

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**
ABN 26 091 951 978

**Notes to the Financial Statements
for the half year-ended 31 December 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

NOTE 2: RESULT FOR THE PERIOD	Half year ended 31 Dec 2013	Half year ended 31 Dec 2012
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Revenue		
Interest received from other persons	20,733	7,602
Gain on settlement of Deed of Novation	-	15,920
Expenses		
Foreign exchange losses/(gains)	2,880	(3,856)
Depreciation	316	-
Finance costs - interest paid/payable to external parties	-	23,522

NOTE 3: TRADE AND OTHER RECEIVABLES	31 December 2013	30 June 2013
	\$	\$
Current (unsecured):		
Deferred sale consideration (a)	443,734	410,608
less: Provision for impairment	(443,734)	(410,608)
	-	-
Other Debtors	33,900	10,294
	<u>33,900</u>	<u>10,294</u>

- (a) The group has significant credit risk exposure arising from the deferred receivable of US\$500,000 from Mantle Diamonds Plc. This relates to cash withheld from the sale proceeds of DiamonEx Botswana Limited.

During the previous financial year, Mantle placed the Lerala diamond mine in care and maintenance due to weaker diamond market. Following an assessment of the impact of this on the future recoverability of the asset, the amount was fully impaired at 30 June 2013. The Company has commenced legal action to recover the amount owing.

NOTE 4: TRADE AND OTHER PAYABLES	31 December 2013	30 June 2013
	\$	\$
Current:		
Trade creditors	213,664	283,465
Sundry creditors and accrued expenses	130,008	178,179
Share applications funds held pending allotment (a)	-	1,681,000
Total trade & other payables (unsecured)	<u>343,672</u>	<u>2,142,644</u>

- (a) In August 2013 the company issued 840,500,000 shares at \$0.002 per share in relation to these share application funds received.

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**
ABN 26 091 951 978

**Notes to the Financial Statements
for the half year-ended 31 December 2013**

NOTE 5: BORROWINGS	31 December 2013	30 June 2013
	\$	\$
Current:		
Unsecured loans from Directors	48,500	53,500
Unsecured loan Flamenco (Pty) Ltd - expense funding	32,060	28,901
Secured loan Flamenco (Pty) Ltd - working capital (a)	89,637	87,597
Unsecured loans from unrelated party	-	25,000
	<u>170,197</u>	<u>194,998</u>

(a) Flamenco (Pty) Ltd loan security

Under a Deed of Loan and Security between Sayona Mining Limited (formerly DiamonEx Limited) and Flamenco (Pty) Ltd, Flamenco provided a working capital loan of US\$80,000, secured against all monies owing to the Company from Mantle Diamonds Plc.

The expenses funding is unsecured.

NOTE 6: ISSUED CAPITAL	31 December 2013	30 June 2013
	\$	\$
405,534,809 (2013: 884,450,924) fully paid ordinary shares	50,039,511	48,358,511
Ordinary shares		
Balance at the beginning of the reporting period	48,358,511	48,039,511
Shares issued during the year:		331,500
Issued 23 July 2013 at \$0.002 each in placement	1,681,000	-
Issued 31 July 2013 at \$0.002 each as underwriting fee	37,500	-
Transaction costs relating to share issues	(37,500)	(12,500)
Balance at reporting date	<u>50,039,511</u>	<u>48,358,511</u>
	31 December 2013	30 June 2013
	No.	No.
Balance at the beginning of the reporting period	884,450,924	718,700,924
Shares issued during the year:		
3 May 2013	-	165,750,000
23 July 2013	840,500,000	-
31 July 2013	18,750,000	-
Share consolidation undertaken during the year:		
5 November 2013 (a)	(1,338,166,115)	
Balance at reporting date	<u>405,534,809</u>	<u>884,450,924</u>

(a) In November 2013, the Company completed a share consolidation. The consolidation involved the conversion of every 4.3 fully paid ordinary shares into one fully paid ordinary share. The consolidation was approved by a resolution of shareholders at the Company's Annual General Meeting held on 23 October 2013.

NOTE 7: RELATED PARTY TRANSACTIONS

As disclosed in the 30 June 2013 annual financial report there have been numerous related party transactions. Related party transactions are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated. In the current period, arrangements with related parties continue to be in place, consistent with those reported at 30 June 2013.

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**
ABN 26 091 951 978

**Notes to the Financial Statements
for the half year-ended 31 December 2013**

NOTE 8: COMMITMENTS	31 December 2013	30 June 2013
	\$	\$
Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:		
Not later than 1 year	34,997	-
Later than 1 year but not later than 5 years	64,503	-
Total commitment	99,500	-

The consolidated entity has no other commitments at balance date, other than as shown in note 13.

NOTE 9: DIVIDENDS

No dividends were declared or paid during the period.

NOTE 10: CONTINGENT LIABILITIES

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

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

Key events since balance date have been:

- On 17 January 2014 the company advised Superior Resources that it was withdrawing from the Joint Operation as the project did not meet its Corporate objectives, refer Note 13.

NOTE 12: EARNINGS PER SHARE	Half year ended 31 Dec 2013	Half year ended 31 Dec 2012
	No.	No.
The earnings figures used in the calculation of both the basic EPS and the dilutive EPS are the same.		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	381,314,069	167,149,216
Weighted average number of dilutive securities outstanding	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the period used in the calculation of diluted EPS	381,314,069	167,149,216

As discussed in Note 6, the company completed a share consolidation in November 2013, In accordance with Australian Accounting Standards, the weighted average number of shares issued during the period have been adjusted to calculate the EPS for the current and corresponding period.

NOTE 13: JOINT OPERATIONS

The Company entered into a Heads of Agreement with Azimuh Investments (Pty) Ltd on 23 September 2012 to acquire a majority interest in Prospecting Licences PL 204/2012 and PL 205/2012 located in north central Botswana. Under the terms of the proposed joint venture, Sayona may earn a 51% interest in the Prospecting Licences by spending Pula 4 Million (A\$500,000) on exploration over a 2 year period and can earn up to 75% over the next 2 years by investing a further Pula 12 Million (A\$1.5 million).

No monies were expended on the proposed joint operation. A formal agreement could not be agreed between the parties and the Heads of Agreement lapsed during the period. The Company holds no interest in these tenements.

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978**

**Notes to the Financial Statements
for the half year-ended 31 December 2013**

NOTE 13: JOINT OPERATIONS (continued)

The Company has entered into an Agreement with Superior Resources Limited on 3 April 2013 to acquire a majority interest in EPM 17012 located in North-West Queensland. Under the terms of the agreement, Sayona may earn a 50% interest in EPM 17012 by spending A\$500,000 on exploration over an initial 2 year period and can earn up to 75% over the next 2 years by incurring an additional A\$1.5 million of exploration expenditure. The Company can only withdraw from the agreement in the first 2 year period after expending \$50,000 on the tenement or paying Superior the expenditure shortfall under \$50,000.

During the current period, \$66,262 has been expended on the joint operation.

NOTE 14: SEGMENT REPORTING

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

	Australia		USA		Economic Entity	
	Half Year ended 31 December		Half Year ended 31 December		Half Year ended 31 December	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
REVENUE						
Revenue	20,733	23,522	-	-	20,733	23,522
Total segment revenue	20,733	23,522	-	-	20,733	23,522
RESULT						
Loss from ordinary activities before income tax expense	(271,425)	(71,564)	(96)	2,021	(271,521)	(69,543)
Income tax expense	-	-	-	-	-	-
Loss from ordinary activities after income tax expense	(271,425)	(71,564)	(96)	2,021	(271,521)	(69,543)
	December	June	December	June	December	June
	2013	2013	2013	2013	2013	2013
	\$	\$	\$	\$	\$	\$
ASSETS						
Segment assets	1,460,330	1,877,746	1,124	1,216	1,461,454	1,878,962
LIABILITIES						
Segment liabilities	372,516	2,199,507	141,353	138,135	513,869	2,337,642

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.



Hayes Knight
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
ABN 49 115 261 722
Registered Audit Company 299289

Level 19, 127 Creek Street, Brisbane Qld 4000
GPO Box 1189, Brisbane Qld 4001

T: +61 7 32292022 F: +61 7 32293277
E: email@hayesknighthq.com.au

www.hayesknight.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SAYONA MINING LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sayona Mining Ltd, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Sayona Mining Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Sayona Mining Ltd's financial position as at 31 December 2013 and its performance for the half-year ended on that date, and complying with Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sayona Mining Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
SAYONA MINING LTD (CONTINUED)**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Sayona Mining Ltd as attached to the director's report, has not changed as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sayona Mining Ltd is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of Sayona Mining Ltd's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Hayes Knight Audit (Qld) Pty Ltd.

Hayes Knight Audit (Qld) Pty Ltd

Robertson.

A M Robertson
Director

Level 19, 127 Creek Street,
Brisbane, QLD, 4000

Date: 14 March 2014