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**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**FINANCIAL REPORT
FOR THE HALF - YEAR ENDED
31 DECEMBER 2014**

The information contained in this report is to be read in conjunction with the Company's 2014 annual report and any announcements to be the market by during the half-year period ending 31 December 2014.

**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 2014.

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.

Dennis O'Neill	Alan Buckler
Paul Crawford	James Brown

REVIEW OF OPERATIONS

The loss of the consolidated group after providing for income tax for the half year was \$364,999 (2013: \$271,521 loss).

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

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.

On 24 September 2014 the Company settled its legal proceedings against Mantle Diamonds Limited. Agreement with Mantle and Kimberley Diamonds Limited provided a mutual release of claims by the parties and payment to Sayona of cash and scrip in Kimberley totalling US\$340,000.

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 first half of the year the, the Company entered into a heads of agreement with Freedom Minerals Pty Ltd, Great Sandy Pty Ltd and Kalamazoo Resources Pty Ltd ("Talga"). The parties entered into this agreement to record the basis on which they may enter into an Option Agreement in relation to iron ore rights within some of the tenements under the control of Talga. At the completion of due diligence procedures the Company paid to Talga a signing fee of \$50,000 and \$45,455 for the reimbursement of costs for a Native Title Heritage Survey. The company has therefore exercised its right under this heads of agreement and as a result entered into an option agreement with Talga.

Under the terms of the option agreement the company has been granted the option to acquire a 70% interest in the iron ore rights of the tenements controlled by Freedom Minerals Pty Ltd and Great Sandy Pty Ltd. The Company may only exercise its option under this agreement by performing the following:

- Complete a minimum ten (10) hole drilling programme of at least 1,000 meters anywhere within the tenements 45/3679, E45/3857, 45/4136 and 45/4137;
- Pay to Talga the sum of \$599,000;
- Grant to Talga 25,000,000 ordinary share options which the holder may exercise at any time within three (3) years from grant date at an issue price of \$0.025 per share.

Field work comprising drilling, sampling and analysis was completed late December. Assessment of the drilling results is currently being undertaken. At the date of this report the Company has not fulfilled its obligations in order to exercise its option to acquire the 70% interest in the iron ore rights.

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DIRECTORS' REPORT

SUBSEQUENT EVENTS

No material matters or circumstances have arisen since balance date, except for a continued decrease in the ASX quoted price of shares in Kimberley Diamonds Limited to approximately \$0.095 at the date of signing this Report.

The non-adjusting subsequent event of a further impairment in the financial asset of \$24,500 has not been included in the financial statements.

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

19 February 2015



Paul A. Crawford
Director

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Hayes Knight
Accountants, Advisors & Auditors

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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 2014 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 half-year.

Hayes Knight Audit (Qld) Pty. Ltd.

Hayes Knight Audit (Qld) Pty Ltd

A M Robertson

A M Robertson
Director

Date: 19 February 2015

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SAYONA MINING LIMITED
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
for the half-year ended 31 December 2014

	Note	Consolidated Group	
		31 December 2014 \$	31 December 2013 \$
Revenue	2	39,723	20,733
Administrative expenses		(161,090)	(175,038)
Current period exploration & evaluation expenditure written-off	13	(201,962)	(114,336)
Foreign exchange losses		-	(2,880)
Loss on financial assets held for trading		(41,670)	-
Loss before income tax	2	(364,999)	(271,521)
Income tax expense		-	-
Loss for the half-year		(364,999)	(271,521)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Net exchange differences on translation of foreign controlled entities		-	(3,214)
		-	(3,214)
Items that will not be reclassified subsequently to profit or loss			
		-	-
Total comprehensive income for the half-year		-	(3,214)
Total comprehensive loss attributable to members		(364,999)	(274,735)
Earnings per Share			
From continuing operations			
Basic earnings per share (cents per share)	9	(0.09)	(0.07)
Diluted earnings per share (cents per share)	9	(0.09)	(0.07)
Dividends per share (cents per share)		-	-

The accompanying notes form part of these financial statements.

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**SAYONA MINING LIMITED
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014**

	Note	Consolidated Group	
		31 December 2014 \$	30 June 2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		983,457	1,201,357
Trade and other receivables	3	27,424	367,625
Other financial assets	4	117,693	-
Other assets		21,397	5,164
Total Current Assets		1,149,971	1,574,146
NON-CURRENT ASSETS			
Property, plant and equipment		3,197	4,031
Total Non-Current Assets		3,197	4,031
TOTAL ASSETS		1,153,168	1,578,177
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	5	129,136	103,896
Borrowings	6	-	115,250
Total Current Liabilities		129,136	219,146
TOTAL LIABILITIES		129,136	219,146
NET ASSETS / DEFICIENCY		1,024,032	1,359,031
EQUITY			
Issued capital	7	50,069,511	50,039,511
Reserves		(4,527,230)	(4,527,230)
Accumulated losses		(44,518,249)	(44,153,250)
TOTAL EQUITY		1,024,032	1,359,031

The accompanying notes form part of these financial statements.

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**SAYONA MINING LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year-ended 31 December 2014

	Note	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
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	7	1,718,500	-	-	-	1,718,500
Transaction Costs	7	(37,500)	-	-	-	(37,500)
Balance at 31 December 2013		50,039,511	(44,538,919)	(4,553,007)	-	947,585
Balance at 1 July 2014		50,039,511	(44,153,250)	(4,527,230)	-	1,359,031
Loss attributable to members of entity		-	(364,999)	-	-	(364,999)
Other comprehensive income for period		-	-	-	-	-
Total comprehensive income (loss)		-	(364,999)	-	-	(364,999)
Reserve transferred to retained earnings		-	-	-	-	-
Shares issued during the period	7	30,000	-	-	-	30,000
Transaction Costs		-	-	-	-	-
Balance at 31 December 2014		50,069,511	(44,518,249)	(4,527,230)	-	1,024,032

The accompanying notes form part of these financial statements.

**SAYONA MINING LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ending 31 December 2014

	Consolidated Group	
	31 December 2014 \$	31 December 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(344,174)	(454,996)
Interest received	13,276	20,733
Net cash provided by (used in) operating activities	(330,898)	(434,263)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(5,172)
Proceeds from settlement of deferred sale consideration	3 227,660	-
Net cash provided by (used in) investing activities	227,660	(5,172)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(127,652)	(30,000)
Net cash provided by (used in) financing activities	(127,652)	(30,000)
Net increase/(decrease) in cash held	(230,890)	(469,435)
Cash at 1 July	1,201,357	1,867,893
Effect of exchange rates on cash holdings in foreign currencies	12,990	4
Cash at 31 December	983,457	1,398,462

The accompanying notes form part of these financial statements.

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**SAYONA MINING LIMITED
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**Notes to the Financial Statements
for the half year-ended 31 December 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The general purpose interim financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group 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 ("Group"). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 19 February 2015.

Going Concern

As at 31 December 2014 the company had cash reserves of \$983,457. The Board believes that based upon current spending forecasts there is adequate funding to provide for the Group's requirements to complete its strategic plan and in any case beyond 12 months of operations from the date of signing this report.

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, subject to the following changes:

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

Interpretation 21: *Levies* is mandatorily applicable for annual financial reporting periods commencing 1 January 2014 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2014 to 31 December 2014. The Interpretation clarifies that a liability to pay a government levy should be recognised when the activity triggering the payment has occurred. This change did not impact on the amounts reported in the group's financial statements.

NOTE 2: RESULT FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Revenue

	Half year ended 31 Dec 2014	Half year ended 31 Dec 2013
	\$	\$
Interest received from other persons	13,276	20,733
Foreign exchange gains	26,447	-
	39,723	20,733

Expenses

Exploration expenditure expensed during period	201,962	114,336
Impairment of financial assets	41,670	-
Foreign exchange losses	-	2,880
Depreciation	834	316
	834	316

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**Notes to the Financial Statements
for the half year-ended 31 December 2014**

NOTE 3: TRADE AND OTHER RECEIVABLES	31 December 2014	30 June 2014
	\$	\$
Current (unsecured):		
Deferred sale consideration (a)	-	361,164
Other Debtors	27,424	6,461
	<u>27,424</u>	<u>367,625</u>

- (a) On 24 September 2013, the Company entered into an Agreement with Mantle Diamonds Plc and Kimberley Diamonds Limited to settle the legal proceedings. The Agreement provided for a mutual release of claims by the parties and payments to the Company totalling US\$340,000 by 1 October 2014.

The settlement consideration comprised US\$200,000 cash and shares in Kimberley Diamonds to a value of US\$140,000.

NOTE 4: FINANCIAL ASSETS	31 December 2014	30 June 2014
	\$	\$
Current:		
Financial assets at fair value through profit and loss (a)	117,693	-

- (a) These assets comprise shares in Kimberley Diamonds Limited, received as part of settlement of the Company's claims.

Shares are held for trading for the purpose of short-term profit taking. Changes in fair value are included in the statement of comprehensive statement.

NOTE 5: TRADE AND OTHER PAYABLES

Current:		
Trade creditors	116,736	25,896
Sundry creditors and accrued expenses	12,400	15,000
Amounts payable to related parties	-	63,000
Total trade & other payables (unsecured)	<u>129,136</u>	<u>103,896</u>

NOTE 6: BORROWINGS

Current:		
Unsecured loan Flamenco (Pty) Ltd - expense funding	-	30,270
Secured loan Flamenco (Pty) Ltd - working capital (a)	-	84,980
	<u>-</u>	<u>115,250</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. Loans were repaid in October 2014 following settlement of the deferred sale proceeds with Mantle Diamonds.

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**Notes to the Financial Statements
for the half year-ended 31 December 2014**

NOTE 7: ISSUED CAPITAL	31 December 2014	30 June 2014
	\$	\$
411,534,809 (2013:405,534,809) fully paid ordinary shares	50,069,511	50,039,511
Ordinary shares		
Balance at the beginning of the reporting period	50,039,511	48,358,511
Shares issued during the year:		1,718,500
Issued 24 December 2014 at \$0.005 each to settle director fees outstanding from prior years	30,000	-
Transaction costs relating to share issues	-	(37,500)
Balance at reporting date	50,069,511	50,039,511
	31 December 2014	30 June 2014
	No.	No.
Balance at the beginning of the reporting period	405,534,809	884,450,924
Shares issued during the year:		859,250,000
24 December 2014	6,000,000	-
Shares consolidation undertaken during the period:		
5 November 2013		(1,338,166,115)
Balance at reporting date	411,534,809	405,534,809

- (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.

NOTE 8: 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 2014.

NOTE 9: EARNINGS PER SHARE	Half year ended	Half year ended
	31 Dec 2014	31 Dec 2013
	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	405,763,070	381,314,069
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	405,763,070	381,314,069

As discussed in Note 7, 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.

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**Notes to the Financial Statements
for the half year-ended 31 December 2014**

NOTE 10: DIVIDENDS

No dividends were declared or paid during the period.

NOTE 11: CONTINGENT LIABILITIES

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

NOTE 12: EVENTS AFTER THE END OF THE INTERIM PERIOD

No material matters or circumstances have arisen since balance date, except for a continued decrease in the ASX quoted price of shares in Kimberley Diamonds Limited to approximately \$0.095 at the date of signing this Report.

The non-adjusting subsequent event of a further impairment in the available for sale financial asset of \$24,500 has not been included in the financial statements.

NOTE 13: JOINT ARRANGEMENTS

During the first half of the year the, the Company entered into a heads of agreement with Freedom Minerals Pty Ltd, Great Sandy Pty Ltd and Kalamazoo Resources Pty Ltd ("Talga"). The parties entered into this agreement to record the basis on which they may enter into an Option Agreement in relation to iron ore rights within some of the tenements under the control of Talga. At the completion of due diligence procedures the company paid to Talga a signing fee of \$50,000 and \$45,455 for the reimbursement of costs for a Native Title Heritage Survey. The company has therefore exercised its right under this heads of agreement and as a result entered into an option agreement with Talga.

Under the terms of the option agreement the company has been granted the option to acquire a 70% interest in the iron ore rights of the tenements controlled by Freedom Minerals Pty Ltd and Great Sandy Pty Ltd. The company may only exercise its option under this agreement by completing the following:

- Complete a minimum ten (10) hole drilling programme of at least 1,000 meters anywhere within the tenements 45/3679, E45/3857, 45/4136 and 45/4137;
- Pay to Talga the sum of \$599,000;
- Grant to Talga 25,000,000 ordinary share options which the holder may exercise at any time within three (3) years from grant date at an issue price of \$0.025 per share.

During the current period, \$201,962 has been expended on the joint operation.

**SAYONA MINING LIMITED
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**Notes to the Financial Statements
for the half year-ended 31 December 2014**

NOTE 14: FAIR VALUE MEASUREMENT

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

- available-for-sale financial assets

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

(a) 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:

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.

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. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

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 availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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:

SAYONA MINING LIMITED
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Notes to the Financial Statements
for the half year-ended 31 December 2014

NOTE 14: FAIR VALUE MEASUREMENT (continued)

Recurring fair value measurements 31 December 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets (refer Note 4)				
- Shares in listed companies	117,693	-	-	117,693
Total financial assets recognised at fair value on a recurring basis	117,693	-	-	117,693

Recurring fair value measurements 30 June 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets (refer Note 4)				
- Shares in listed companies	-	-	-	-
Total financial assets recognised at fair value on a recurring basis	-	-	-	-

There were no transfers between Level 1 and Level 2 or Level 3 for assets measured at fair value on a recurring basis during the reporting period (30 June 2014: Nil transfers).

(b) Disclosed Fair Value Measurements

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 Hierarchy Level	Valuation Technique(s)	Inputs Used
Assets				
Shares in listed companies	4	1	Closing quoted bid prices	Closing quoted bid prices

(c) Recurring and Non-recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurements Are Categorised

	Fair Value Measurements at 31 December 2014 Using:		
	Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Observable Inputs Other than Level 1 Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
Recurring fair value measurements	117,693	-	-
Available for sale financial assets	-	-	-

There were no available for sale financial assets at 30 June 2014.

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**Notes to the Financial Statements
for the half year-ended 31 December 2014**

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	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
REVENUE						
Revenue	39,723	20,733	-	-	39,723	20,733
Total segment revenue	39,723	20,733	-	-	39,723	20,733
RESULT						
Loss from ordinary activities before income tax expense	(364,999)	(271,425)	-	(96)	(364,999)	(271,521)
	December	June	December	June	December	June
	2014	2014	2014	2014	2014	2014
	\$	\$	\$	\$	\$	\$
ASSETS						
Segment assets	1,153,168	1,578,177	-	-	1,153,168	1,578,177
LIABILITIES						
Segment liabilities	129,136	219,146	-	-	129,136	219,146

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.

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**SAYONA MINING LIMITED
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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 2014 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: 19th day of February 2015

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Hayes Knight

Accountants, Advisors & Auditors

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sayona Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, 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 Limited 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 gives a true and fair view and 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Sayona Mining Limited's financial position as at 31 December 2014 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 Limited, 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.

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 Limited as attached to the director's report, has not changed as at the time of this auditor's review report.

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

Conclusion

Based on our review which, 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 Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of Sayona Mining Limited's financial position as at 31 December 2014 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

A M Robertson.

A M Robertson
Director

Level 23, 10 Eagle Street,
Brisbane, QLD, 4000

Date: 19 February, 2015

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