

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2020**

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 2020. 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 2020 and is to be read in conjunction with this Directors' Report.

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:

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
D.C. O'Neill	13	13
P.A. Crawford	13	13
A. C. Buckler	13	13
J. S. Brown	13	12
B. L. Lynch (appointed 1 July 2019)	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:

Brett L. Lynch

Managing Director

Qualifications

Company Director Diploma; Graduate Diploma of Business (Accounting); Bachelor of Engineering (Mining) (Honours).

Experience

Appointed to a Director on 1 July 2019. An experienced International Company Director and CEO with a strong background in mining and mining related businesses across Australia, Asia, USA, Russia and emergent markets. Global executive and leadership experience with a focus on commercial results and owner/shareholder value. International Business Development Manager with proven ability to translate opportunities to outcomes.

Interest in Shares

88,153,101 ordinary shares, 24,374,999 listed options and 18,534,885 unlisted options.

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

Nil

Paul A Crawford

Director (Executive) & 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. 40 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

149,488,108 ordinary shares, 12,623,605 listed options and 2,325,581 unlisted options.

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

Nil

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

Dennis C O'Neill **Director (Non-Executive)** (from 1 September 2019)

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 89,587,664 ordinary shares, 625,000 listed options and 872,094 unlisted options.

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

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 157,808,253 ordinary shares and 29,941,861 unlisted options.

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 30 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 6,164,565 ordinary shares, 616,457 listed options and 872,094 unlisted options.

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, the unissued ordinary shares of Sayona Mining Limited under option are as follows:

Grant Date	Expiry Date	Exercise Price	No. under Option
23 August to 29 November 2019	23 July 2022	3.0 cents	110,123,160
29 November 2019	29 November 2021	3.0 cents	4,000,000
29 November 2019	29 November 2022	4.0 cents	4,000,000
17 February 2020	17 February 2023	1.2 cents	4,869,141
29 April to 7 August 2020	29 April 2023	2.0 cents	372,060,199

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

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

During the year ended 30 June 2020, 6,749 listed options were exercised at an exercise price of \$0.078 per share (options were issued on 31 May 2018). The remaining 120,235,840 listed options expired 30 April 2020. No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Since the end of the year, an additional 83,926,983 listed options were granted over unissued shares.

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 willful 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.

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITY

The consolidated Group's principal activity during the financial year continued as the identification, acquisition and evaluation of mineral exploration assets, focusing on lithium. During the year, the Company completed a revised definitive feasibility study on the Authier Project in Canada and lodged a bid to acquire the assets of North American Lithium Inc. a lithium miner in Quebec. In addition, exploration activity continued on a number of projects in Australia and Canada including, in respect of the Australian projects, a strategic review of projects and entering into earn-in arrangements with Altura Mining Ltd.

There were no other 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 and development assets.

OPERATING RESULTS

The entity's consolidated operating loss for the financial year after applicable income tax was \$5,403,751 (2019: \$2,225,651). Tenement acquisition, exploration and evaluation expenditure during the year totalled \$3,438,587 (2019: \$5,919,690).

REVIEW OF OPERATIONS

The Company's primary focus during the year has been on completing the studies and seeking the approvals required to commence the development of the Authier lithium project, including the Definitive Feasibility Study. 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 advances towards development.

Sayona's focus during the year has been two pronged; firstly, the development of its lithium assets, in particular its flagship project, the advanced stage Authier Lithium Project (Authier) in Québec, Canada, but also working to realise value from its lithium and gold tenements in Western Australia.

The second focus for Sayona during the period has been its bid for the North American Lithium (NAL) mine in Québec. Sayona considers NAL a near-term growth opportunity, given its proximity to the Company's flagship Authier Lithium Project.

There are substantial synergies with the Authier project offering opportunities for the integration of both operations enhancing overall operational efficiencies and outputs. A successful bid would offer the fastest pathway for Sayona to becoming a world-scale producer and achieving the Company's goal of advancing from junior explorer to mid-tier miner.

Authier Lithium Project

Authier is a hard rock spodumene lithium deposit scheduled for development as an open cut mine and concentrator, producing a 6% spodumene concentrate. The new mine could create 176 additional jobs with Sayona putting priority on engaging local workers and suppliers. Pending regulatory approvals, which are expected by late 2020 or early 2021, construction could commence as early as 2021, with the start of mining operations a year later.

This near-term development project has the potential to create a significant uplift in shareholder value as it progresses towards development.

In early 2019, the Québec Environment Minister announced that the Authier project would be subject to the environmental impact assessment and review procedures under the BAPE (bureau d'audiences publiques en environnement). Under this process, Sayona is seeking approval to process in the order of 2,600 tonnes per day, providing for an approximate mine life of 14 years and estimated annual average spodumene concentrate production of around 115,000 tonnes (at 6% Li₂O).

Definitive Feasibility Study

A revised Definitive Feasibility Study (DFS) was announced for the project in November 2019 (refer ASX announcement 11 November 2019)

OPERATING AND FINANCIAL REVIEW

Key outcomes of the DFS include an NPV of C\$216 million over an initial 13.8-year mine life, based on the current Proven and Probable Ore Reserve estimate of 12.10 Mt @ 1.00% Li₂O at a 0.55% Li₂O cut-off grade (refer table below).

Authier Lithium Project DFS Highlights

Description	Unit	Results
Average Annual Ore Feed to the Plant	tonnes	874,594
Annual Average Spodumene Production	tonnes	114,116
Life-of-Mine	years	13.8
Life-of-Mine Strip Ratio	waste to ore	6.9:1
Average Spodumene Price	US\$/tonne	693
Initial Development Capital Costs	C\$ million	120
Total Life of Mine Capital Costs	C\$ million	211
Total Net Revenue (real terms)	C\$ million	1,412
Total Project EBITDA (real terms)	C\$ million	461
Average Life of Mine Cash Costs (Mine-gate)	C\$/tonne	400
Average Life of Mine Cash Costs (Montreal Port FOB)	C\$/tonne	469
Net Present Value (real terms @ 8% discount rate)	C\$ million	216
Pre-Tax Internal Rate of Return	%	33.9
Project Payback Period (after start of production)	years	2.7
Exchange Rate	CAD:USD	0.76

Environmental Impact Statement

As part of the approval process, Sayona produced a revised Environmental Impact Statement (EIS), a rigorous scientific study containing all the necessary documentation in accordance with the environmental impact assessment and review procedures under Québec's Environmental Quality Act.

The new EIS was submitted to Québec's Ministry of the Environment and the Fight against Climate Change (MELCC) in January 2020.

In early April 2020 the MELCC provided feedback to the submission by way of queries on a range of categories including flora and fauna, impact on air quality, roads, traffic and water management. Such queries are normal for projects of this type and will allow Sayona to further fine-tune the project to satisfy community and government expectations.

Importantly, there were very few questions relating to the project's hydrological study, which concluded that the Authier project would not impact the water quality of the St-Mathieu-Berry esker where it is used to pump drinking water.

Following the Company's response to the Minister's queries, the EIS will be submitted to the Public Hearings Office for further public hearings and review, ultimately leading to an expected recommendation for project approval under the BAPE later in 2020 or early 2021, subject to any delays related to the COVID-19 pandemic.

Meanwhile, Sayona continues to engage closely with all stakeholders, including local municipalities, landowners, First Nations communities, non-governmental organisations and other stakeholders, with the engagement effort led by its local team in Québec.

In December 2019, Sayona was pleased to announce an agreement with First Nation Abitibiwinni for the works during the exploration phase of the Authier Lithium Project. This agreement is aimed at ensuring a collaborative and mutually beneficial partnership for the project's development.

OPERATING AND FINANCIAL REVIEW

North American Lithium bid

Sayona's bid for North American Lithium (NAL) is seen as an opportunity to fast-track the company's expansion plans. NAL has a lithium mine and concentrator located in Abitibi, in close proximity to the Authier Project in Québec. Combining ore produced from Authier with ore produced at NAL would provide the opportunity for a significant improvement in plant performance and economics.

Concerning NAL, spodumene production halted at the mine in February 2019, after which NAL sought creditor protection in May. In September 2019, the Québec Superior Court ended creditor protection and invited bids for the company's assets.

In February 2020, Sayona submitted an official bid backed by a world-class advisory team comprising operational, engineering, financial and other necessary expertise, including former NAL management.

However, the continued impact of the COVID-19 pandemic in Québec has caused delays to the bidding process, which has seen several extensions by the administrator, currently to the end of August 2020. This comes amid broader industry restructuring, including Nemaska Lithium, which had its bidding process similarly extended under a court-administered process.

A successful bid for NAL would fast-track the Company to becoming a world-scale spodumene producer, advancing from junior explorer to mid-tier miner with potentially three operating mines supplying a central concentrator. It would also secure local jobs and investment and support Québec's plans for a clean energy future based on the development of its own battery industry.

Tansim Project

The Tansim Project (Tansim) is situated south-west of the Authier Project in Québec and is prospective for lithium, tantalum and beryllium.

Mineralisation is hosted within spodumene-bearing pegmatite intrusions striking east-west, dipping to the north and hosted by metasedimentary – metavolcanic rocks of the Pontiac sub-province.

Tansim, in conjunction with the Authier Project and, potentially, NAL (subject to a successful bid) would enable Sayona to become a world-scale producer with three spodumene mines supplying a central concentrator to feed the North American battery markets.

The main prospects at Tansim are Viau-Dallaire, Viau and Vezina. Drilling conducted last year resulted in an Exploration Target for the Viau-Dallaire prospect of between 5 million and 25 million tonnes, at an estimated grade of 1.2 – 1.3% Li₂O (refer ASX release 19 November 2019) highlighting the potential for the development of a new lithium deposit.

Viau-Dallaire Exploration Target		
Range	Tonnes	Grade % Li₂O
Lower	5,000,000	1.2 to 1.3
Upper	25,000,000	1.2 to 1.3

* *The potential quantity and grade of the Exploration Target is conceptual in nature, and is therefore an approximation. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.*

Western Australian Assets

Sayona's leases in Western Australia cover 1,141 sq km and comprise lithium tenure in the Pilbara and Yilgarn areas and graphite tenements in the East Kimberley, together with prospective gold mineralisation.

In August 2019, Sayona announced an earn-in agreement with leading listed lithium producer, Altura Mining Limited (Altura). This will enable the Company to maximise the value of its Western Australia exploration assets. The earn-in agreement included the Pilbara lithium project tenure, the Mt Edon lithium project in the south Murchison and the Corkwood graphite project in the Kimberley.

Under the terms of the agreement, Altura will spend AUD\$1.5 million on exploration across the Pilgangoora project portfolio over a three-year period, earning a 51% interest. Sayona will retain the remaining project

OPERATING AND FINANCIAL REVIEW

interest and the right to contribute to project evaluation and development in the future to participate in the upside potential.

During the year a strategic review of the Western Australian assets was completed and resulted in a focus of exploration efforts on projects within the world-class Pilgangoora lithium district (refer ASX announcement 4 June 2020). This area is home to Altura's producing Pilgangoora mining operation and other major spodumene deposits. Whilst some tenements were relinquished following the strategic review, the key terms of the earn-in agreement with Altura remain unchanged.

Sayona retained the 10 most prospective Pilbara lithium tenements, spanning 971 sq km and located in close proximity to Altura's Pilgangoora mine. The East Kimberley graphite project was excluded from the earn-in agreement and subsequently was retained 100% by Sayona.

During the year, the gold potential of the Pilbara tenement package has become apparent following the Hemi gold discovery by De Grey Mining Limited. The Sayona / Altura earn-in tenure includes gold rights to eight leases covering 808sq km.

FINANCIAL POSITION, CONTINUED OPERATIONS AND FUTURE FUNDING

At 30 June 2020, the Company's Statement of Financial Position shows total assets of \$22,190,444, of which \$492,660 was cash, total liabilities of \$1,044,715 and net assets of \$21,145,728.

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.

As set out in note 1 to the financial statements, the ability of the Group to execute its currently planned activities requires the Group to raise additional capital within the next 12 months. Subsequent to year end, the Company raised \$2.65 million through a placement. The Group has other initiatives in place, to fund the Group's activities.

Over recent years the Group has focused on the exploration and evaluation of its assets to the point where the Authier Lithium Project is subject to a definitive feasibility study, with the potential to advance to development. During the period the Company tendered a bid for the North American Lithium (NAL) mine in Québec. NAL is considered a near-term growth opportunity, given its proximity to the Company's flagship Authier Lithium Project.

The Directors believe that the Group is in a strong and stable financial position to grow its current operations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes during the year include:

- Mr Brett Lynch commenced as Managing Director of the Group on 1 July 2019.
- On 8 August 2019, the Company announced an Earn-in Agreement with lithium producer Altura Mining Limited, over Sayona's Western Australian lithium portfolio in the world-class Pilgangoora lithium district.

Under the agreement, Altura will spend \$1.5 million on exploration across the project portfolio over three years to earn a 51% interest, with Sayona retaining the remaining project interest. Sayona retains the right to contribute to project evaluation and development in the future to participate in the upside potential.

- On 23 August 2019, the Company issued 83,295,471 new shares at an issue price of \$0.0086 each, and 41,647,702 free attaching options to applicants under the share purchase plan announced on 24 June 2019. Options are exercisable at \$0.03 each, expiring on 23 July 2022.
- On 23 August 2019, the Company also issued 43,927,651 new shares at an issue price of \$0.0086 each, and 21,963,826 free attaching options to eligible parties under a placement to raise \$377,777. Options have same conditions as those granted under the share purchase plan.

A further 93,023,259 shares and 46,511,632 options were issued to Directors under the placement following shareholder approval at the Company's at the Company's annual general meeting on 29 November 2019, raising \$800,000.

- On 29 October 2019, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. The CPA provides up to \$3 million of standby equity capital over the period to 31 January 2022.

OPERATING AND FINANCIAL REVIEW

As collateral for the CPA, Sayona issued 95,000,000 new shares at nil consideration. The Company may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

- On 13 January 2020, Sayona entered into a convertible note facility for up to \$2.75 million with Obsidian Global GP. The first tranche of A\$1,000,000 was received, resulting in the issue of 691,400 notes.
- On 15 January 2020 Obsidian converted 200,000 of the notes issued, resulting in the issue of 32,333,962 new shares, at an issue price of \$0.0099 per share.

The outstanding notes were repaid on 30 April 2020.

- On 29 April 2020, the Company issued 324,580,104 new shares at an issue price of \$0.008 each, and 182,716,433 free attaching options to applicants under the renounceable entitlement offer. Options are exercisable at \$0.02 each, expiring on 29 April 2023.
- On 29 April 2020, 120,235,840 listed options, exercisable at \$0.0078 each, expired unexercised.
- Various other share issues in the year totalling 74,223,909 shares.
- Issue of 4,869,141 unlisted options and exercise of 6,749 listed options.
- Impacts on the Group, during the year and subsequent, of the COVID-19 pandemic are outlined below.

SIGNIFICANT EVENTS AFTER BALANCE DATE

- On 15 July 2020 the Company announced it had entered into a formal agreement with Obsidian Global GP, LLC, for the early close out of the convertible securities funding facility. All amounts drawn under the facility were either converted to shares or repaid.
- On 22 July 2020, the Company issued 331,250,000 new shares at an issue price of \$0.008 each, and 187,625,016 free attaching options to parties, representing the shortfall from the renounceable entitlement offer undertaken in April 2020 together with an additional placement. Options have same conditions as those granted under the entitlement offer. Total funds raised were \$2,650,000.
- On 6 August 2020, the Company announced the expansion of its Tansim Lithium Project, with the acquisition of an additional 39 claims spanning 2,234 hectares. Subsidiary company, Sayona Quebec Inc. holds 100% interest in the tenements.
- On 7 August 2020, the Company issued 3,437,500 new shares at an issue price of \$0.008 each, and 1,718,750 free attaching options to an advisor in settlement of services provided.
- In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continued to spread throughout Australia and the World. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on Australian and international economies.

The Group's core business is mineral exploration and development in Australia and Canada. To the date of this report the Group has not experienced any significant adverse impact. Government directives and travel restrictions, primarily in Quebec, have limited the Group's ability to undertake some activity. The situation has eased significantly recently and operations are returning to normal.

The Directors are actively monitoring the Group's financial condition, operations and workforce.

Although the Group cannot estimate the length or gravity of the impacts of these events at this time, if the pandemic continues beyond the short-term or worsens, then this may have an adverse effect on the Group's results of future operations, financial position and liquidity in the financial year 2021.

- On 7 September 2020, the Company entered into a Share Placement Agreement with Battery Metals Capital Group, LLC.

The agreement provides for a placement of ordinary shares worth up to US\$2 million (AUD\$2.73m), with an initial investment of US\$585,000 for placement shares worth US\$635,000 and a second investment of US\$1,415,000 for shares worth US\$1,545,000, subject to shareholder approval.

In addition, the Company has the option to receive an additional investment of US\$2,000,000 for placement shares worth US\$2,180,000 at each of the six month, 12 month and 18 month anniversaries of

OPERATING AND FINANCIAL REVIEW

the date of the second investment. The Company is under no obligation to draw down these additional investments.

No other matters or key events have arisen since 30 June 2020 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 completing the permitting process, required to commence the development of the Authier 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 advances towards development.

The Company's strategic focus will continue to be on the development of Authier, its bid for NAL, and the exploration and evaluation its other assets. The assets range from early stage exploration to advanced projects with potential for advancement to production. Australian projects will be undertaken primarily through the Altura Agreement.

To complete mine development at the Authier Project and acquisition of NAL assets, the Company is likely to require additional funding. 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:

- all relevant approvals are obtained to conduct proposed operations;
- technical works will not achieve the results expected;
- potential delays arising through the various stages to commissioning of the Authier and other projects;
- exploration and evaluation success on individual projects; and
- the ability to raise additional funds in the future.

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, in relation to its exploration activities. In addition, the Authier project is subject to review procedures under the BAPE (bureau d'audiences publiques en environnement) as the Company seeks permitting approval to develop and operate a new mine.

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

Competent Person Statement

Exploration Targets

The information in this report that relates to Exploration Targets is based on information compiled by Dr Gustavo Delendatti, a member of the Australian Institute of Geoscientists.

Dr Delendatti is an independent consultant, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code (2012 Edition) of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Dr Delendatti, as competent person for this announcement, has consented to the inclusion of the information in the form and context in which it appears.

REMUNERATION REPORT

REMUNERATION POLICY

The Company's remuneration policy 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 Key Management Personnel (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 shares/options are intended to align the interests of the KMP and company with those of the shareholders; and
- 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 their interests with shareholders' interests.

Options granted under incentive arrangements 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.

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.

SAYONA MINING LIMITED
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REMUNERATION REPORT

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 shares/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, subject to volatility in commodity prices and financial markets.

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.

	2018	2019	2020
Exploration Expenditure (\$)	5,724,378	5,921,618	3,438,587
Exploration Tenements (no. including applications)	40	185	184
Net Assets (\$)	22,680,722	21,223,571	21,145,728
Share Price at Year-end (\$)	0.040	0.008	0.008
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 (shares/cash, excluding options).

Key Management Personnel	Position held at 30 June 2020 & change during the year	Contract Details (Term)	Proportion of Remuneration:	
			Related to performance	Not related to performance
			Shares/Cash	Salary & Fees
B Lynch	CEO/Managing Director. Appointed 1 July 2019	No fixed term, 3 months' notice to terminate.	4%/25%	69%
D O'Neill	Executive Director. Resigned as CEO 1 July 2019. Resigned as executive director 31 August 2019. Non-executive roll from 1 September 2019	No fixed term, termination as provided by Corporations Act	-/-	100%
P Crawford	Executive Director Company Secretary	No fixed term, termination as provided by Corporations Act	-/-	100%
A Buckler	Non-executive Director	No fixed term, termination as provided by Corporations Act	-/-	100%
J Brown	Non-executive Director	No fixed term, termination as provided by Corporations Act	-/-	100%

SAYONA MINING LIMITED
ABN 26 091 951 978

REMUNERATION REPORT

Employment Contract of Chief Executive Officer

Mr Brett Lynch was appointed Chief Executive Officer of the Group on 1 July 2019. The Company has entered into a contract of service with Mr Lynch.

Under the agreement, 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. If the Company terminates the agreement within the first twelve months of employment or in the event of a change of control transaction involving the Company his employment is involuntarily terminated without cause, Mr Lynch will be entitled to twelve months' notice or payment in lieu of notice.

The contract provides for the payment of short-term cash or equity incentive and equity based long-term incentive. Long-term incentives were approved by shareholders at the 2019 Annual General Meeting. 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.

REMUNERATION EXPENSE DETAILS (KMP)

The remuneration of each Director of the Company during the year is detailed in the following table. Amounts have been calculated in accordance with Australian Accounting Standards.

2020	Short Term Benefits					Equity Settled		Long Term Benefits		
	Key Management Personnel	Salary & Fees	Move't in AL balance	Total Salary & Fees	Bonus	Non-Cash	Shares	Options	Post Employ't benefits	Other
B Lynch	317,945	31,255	349,200	140,000	-	20,000	12,050	30,205	-	551,455
D O'Neill	170,785		170,785					14,215		185,000
P Crawford	282,648		282,648					17,352		300,000
A Buckler (1)	72,000		72,000							72,000
J Brown	72,000		72,000							72,000
	915,378	31,255	946,633	140,000	-	20,000	12,050	61,772	-	1,180,455

2019	Short term benefits			Equity Settled Options	Post-employment benefits	Long term benefits	Total
	Key Management Personnel	Salary & Fees	Bonus				
B Lynch	-	-	-	-	-	-	-
D O'Neill	273,972	-	-	-	26,028	-	300,000
P Crawford	273,972	-	-	-	26,028	-	300,000
A Buckler (1)	75,000	-	-	-	-	-	75,000
J Brown	75,000	-	-	-	-	-	75,000
	697,944	-	-	-	52,056	-	750,000

(1) Represents payments made to Shazo Holdings Pty Ltd, an entity controlled by Mr Allan Buckler, to provide directorial and technical services.

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

SHARES ISSUED AS REMUNERATION

The following shares were granted as remuneration to KMP during the current year. KMP may hold other shares acquired in their capacity as shareholders:

- Mr B Lynch received 2,000,000 ordinary shares on 29 November 2019, valued at \$0.01 each.

OPTIONS GRANTED AS REMUNERATION

The following options were granted as remuneration to KMP during the current year. KMP may hold other options acquired in their capacity as shareholders.

KMP	Balance 1 July 2019	Grant Details			Exercised		Lapsed	Balance 30 June 2020
		Issued Date	No.	Value \$	No.	Value \$	No.	
B Lynch	-	29.09.19	2,000,000	Note 1 5,296	-	-	-	2,000,000
B Lynch	-	29.09.19	2,000,000	6,754	-	-	-	2,000,000

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. The options have vested and are exercisable. There have not been any alterations to the terms or conditions of the options since grant date.

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
29.09.19	1:1 ordinary share	From vesting to 29.09.21	3.0 cents	0.2648 cents	-
29.09.19	1:1 ordinary share	From vesting to 29.09.22	4.0 cents	0.3377 cents	-

Option values at grant date were determined using the binomial valuation method. These are the only remuneration options held by KMP.

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 2019	Remuneration	Exercise of Options (*)	Other Changes (**)	Balance 30 June 2020
B Lynch	-	2,000,000	-	77,819,767	79,819,767
D O'Neill	86,593,477	-	-	2,994,187	89,587,664
P Crawford	98,440,535	-	-	30,047,573	128,488,108
A Buckler	97,924,530	-	-	59,883,723	157,808,253
J Brown	3,187,463	-	-	2,977,102	6,164,565
Total	286,146,005	2,000,000	-	173,722,352	461,868,357

*Remuneration options and shareholder options

** Share trades and participation in share issues

SAYONA MINING LIMITED
ABN 26 091 951 978

REMUNERATION REPORT

OTHER EQUITY-RELATED KMP TRANSACTIONS

Options held by KMP in their capacity as shareholders at 30 June 2020:

B Lynch	24,374,999 listed options and 18,534,885 unlisted options
D O'Neill	625,000 listed options and 872,094 unlisted options
P Crawford	12,623,605 listed options and 2,325,581 unlisted options
A Buckler	29,941,861 unlisted options
J Brown	616,457 listed options and 872,094 unlisted options

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.

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



Brett Lynch
Managing Director



Paul Crawford
Director

Signed: 15 September 2020
Brisbane, Queensland

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

As lead auditor for the audit of Sayona Mining Limited I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 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: 15 September 2020

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
for the year ended 30 June 2020

	Note	Consolidated Group	
		2020	2019
		\$	\$
Revenue and other income	2	60,429	124,098
Administrative expenses		(2,261,051)	(1,199,313)
Exploration expenditure expensed during year		(1,682,996)	(74,188)
Employee benefit expense		(1,473,782)	(1,070,894)
Foreign exchange losses		(46,351)	(5,354)
Loss before income tax	3	(5,403,751)	(2,225,651)
Tax expense	4	-	-
Loss for the year		(5,403,751)	(2,225,651)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		(409,386)	642,979
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income/(loss) for the year		(409,386)	642,979
Total comprehensive income or (loss) attributable to members		(5,813,137)	(1,582,672)
Earnings per Share:			
Basic and diluted earnings per share (cents per share)	6	(0.26)	(0.13)
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 2020

	Note	Consolidated Group	
		2020	2019
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	492,660	1,822,133
Trade and other receivables	9	228,361	272,933
Other assets	10	38,864	91,775
Total Current Assets		759,885	2,186,841
NON-CURRENT ASSETS			
Property, plant and equipment	11	151,720	144,083
Exploration and evaluation asset	12	21,193,106	19,877,399
Right of Use Asset	13	85,733	-
Total Non-Current Assets		21,430,559	20,021,482
TOTAL ASSETS		22,190,444	22,208,323
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	894,189	945,906
Lease Liability	13	37,540	-
Provisions	15	61,429	38,846
Total Current Liabilities		993,158	984,752
NON CURRENT LIABILITIES			
Lease Liability	13	51,558	-
Total Non-Current Liabilities		51,558	-
TOTAL LIABILITIES		1,044,716	984,752
NET ASSETS		21,145,728	21,223,571
EQUITY			
Issued capital	16	84,930,181	79,309,022
Reserves	17	328,454	623,705
Accumulated losses		(64,112,907)	(58,709,156)
TOTAL EQUITY		21,145,728	21,223,571

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 2020

Consolidated Group		Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
		\$	\$	\$	\$	\$
Balance at 30 June 2018		79,183,501	(56,483,505)	(19,274)	-	22,680,722
Loss attributable to members of the entity		-	-	-	-	(2,225,651)
Other comprehensive income for the year		-	-	642,979	-	642,979
Total comprehensive income for the year		-	(2,225,651)	642,979	-	(1,582,672)
Transactions with owners in their capacity as owners						
Shares issued during the year	16	133,555	-	-	-	133,555
Transaction costs		(8,034)	-	-	-	(8,034)
Share based payments	23	-	-	-	-	-
Total transactions with owners		125,521	-	-	-	125,521
Balance at 30 June 2019		79,309,022	(58,709,156)	623,705	-	21,223,571
Loss attributable to members of the entity		-	(5,403,751)	-	-	(5,403,751)
Other comprehensive income for the year		-	-	(409,386)	-	(409,386)
Total comprehensive income for the year		-	(5,403,751)	(409,386)	-	(5,813,137)
Transactions with owners in their capacity as owners						
Shares issued during the year	16	5,999,379	-	-	-	5,999,379
Transaction costs		(378,220)	-	-	-	(378,220)
Share based payments	23	-	-	-	114,135	114,135
Total transactions with owners		5,621,159	-	-	114,135	5,735,294
Balance at 30 June 2020		84,930,181	(64,112,907)	214,319	114,135	21,145,728

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 2020

	Note	Consolidated Group	
		2020	2019
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,846,654)	(2,717,552)
Government Subsidies		50,000	-
Interest received		10,429	114,238
Other income		-	9,860
Finance costs		(790,130)	-
Net cash provided by (used in) operating activities	18	(3,576,355)	(2,593,454)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(26,942)	(144,051)
Capitalised exploration expenditure	12	(2,974,613)	(5,713,891)
Net cash provided by (used in) investing activities		(3,001,555)	(5,857,942)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	16	5,262,655	16
Costs associated with share and option issues		(337,367)	(8,034)
Proceeds from convertible note facility		1,102,538	-
Repayment of convertible notes		(783,790)	-
Repayment of lease liabilities		(34,738)	-
Net cash provided by (used in) financing activities		5,209,298	(8,018)
Net increase (decrease) in cash held		(1,368,612)	(8,459,414)
Cash at beginning of financial year		1,822,133	10,275,738
Effect of exchange rates on cash holdings in foreign currencies		39,139	5,809
Cash at end of financial year	8	492,660	1,822,133

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 year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Sayona Mining Limited "the Company" 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.

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.

At 30 June 2020 the Group had \$1,193,834 (note 20(b)) of exploration commitments due within 1 year, in addition to other ongoing corporate and operational expenditure. The Group will also need to source new funds to proceed with the Authier Lithium Project and the North American Lithium bid. Net current asset deficiency of the Group at balance date totals \$233,272, and cash balance was \$492,660.

The ability of the Group to settle its liabilities and 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 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, borrowings, 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.

As set out in Note 24, since balance date the Group raised \$2,650,000 of new capital, and entered into a share placement arrangement for an initial amount of US \$2,000,000. In addition, the Group has a controlled placement agreement in place with standby capital of \$3,000,000 (note 30).

The Directors have concluded that it is reasonable to adopt the going concern basis in preparation of the financial statements on the basis of funds currently available to the Group, arrangements in place to raise additional capital, arrangements for its Australian exploration projects, and options available to fund its Canadian exploration projects.

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. 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.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 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.

Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-Consolidated Group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Sayona Mining Limited. The members of the tax-consolidated Group are identified in Note 26. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the “separate taxpayer within group” approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated Group are recognised by the Company (as head entity in the tax-consolidated Group). No tax funding arrangements are currently in place between entities in the tax-consolidated Group.

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 in profit or loss. 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 4% and 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

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.

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

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

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 measurement date.

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is 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 transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit and loss over the relevant period. The effective interest rate is the internal rate of return of the financial assets of liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at the initial recognition.

Financial assets

Financial assets are subsequently measured at amortised cost.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses, using the simplified approach under AASB 9, which requires the recognition of lifetime expected credit loss at all times.

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 year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Payments

The Group uses shares and options to settle liabilities. 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Amounts are initially recognised at fair value, and subsequently measured at amortised cost.

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

The Group's only revenue is interest and sundry income items, recognised on an accrual basis.

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 taxation authority.

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 taxation authority 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 are presented as operating cash flows included in receipts from customers or payments to suppliers.

These accounting policies also apply in respect of the Group's Canada operations in relation to GST.

Comparative Figures

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

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Exploration and evaluation expenditure (Note 12):

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. For some areas of interest the Group has assessed the existence of reserves and considers the expenditure is recoverable through successful development of the area. For other areas of interest exploration activity continues and the directors are of the continued belief that such expenditure should not be written off since technical and feasibility studies in such areas have not yet concluded.

Tax Losses Available (Note 4):

The availability of the Group's carry forward tax losses are based on estimates of tax deductibility of exploration expenditure, and compliance with tax laws in Australia and Canada.

New Accounting Standards Adopted

The Group has adopted AASB 16 Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

The Group has recognized a lease liability and right-of-use asset for all leases (with the exception for short term and low value leases) recognised as operating leases under AASB 117 Leases where the Group is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate at 1 July 2019 of 4.25% was used to discount the lease payments.

The right-of-use asset was measured and recognised in the Statement of Financial Position as at 1 July 2019 by taking into consideration the lease liability, pre-paid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- Leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and interpretation 4.

AASB 16 will apply to the Group's premises lease, which is currently on a short term month to month basis (note 13).

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A right-of-use asset and corresponding lease liability of \$123,836 was recognised at 1 July 2019 in the Statement of Financial Position. During the year ended 30 June 2020, depreciation on the right-of-use asset of \$38,103 and interest on the lease liability \$4,862 were recognised in profit or loss. The lease liability was reduced by \$34,738 during the period.

NOTE 2: REVENUE AND OTHER INCOME

	2020	2019
	\$	\$
Interest received from unrelated parties	10,429	114,238
Government subsidies	50,000	-
Insurance refunds	-	7,360
Other income	-	2,500
Total revenue and other income	60,429	124,098

NOTE 3: LOSS FOR THE YEAR

(i) Expenses:

Included in expenses are the following items:

Rental expense on operating lease	-	120,451
Foreign exchange loss	68,484	5,354
Depreciation and amortisation	53,569	9,369

(ii) Significant Revenue and Expenses

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

Capitalised exploration & evaluation expenditure written-off	(1,545,618)	-
Exploration and evaluation expenditure expensed during the year	(137,378)	(74,188)
Finance costs incurred in relation to a convertible securities facility	(785,268)	-

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% (2019: 27.5%).	(1,486,031)	(612,054)
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Adjust for tax effect of:

Exploration expenditure capitalised	(151,289)	(166,935)
Other non-deductible costs (net)	530,186	(350,531)
Other non-assessable income	(13,750)	-
Tax losses and temporary differences not brought to account	1,120,884	1,129,520
Income tax expense attributable to entity	-	-

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	(337,507)	(619,807)
Tax losses - Revenue	5,973,041	5,181,442
Tax losses - Capital	5,613,671	6,175,038
Net unbooked deferred tax asset	11,249,205	10,736,673

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 4: INCOME TAX EXPENSE (continued)

The Group has unconfirmed carry forward losses for revenue of \$23,621,838 (2019: \$18,942,527) and for capital of \$22,454,683 (2019: \$22,454,683). Deferred tax assets and liabilities are stated at tax rates expected to apply when the relevant items are realised. Prior year carry forward revenue losses have been revised in the current year to agree to amended tax returns due for lodgement.

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.

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 2020.

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

Key Management Personnel	Position
Brett Lynch	Managing Director/CEO
Dennis O'Neill	Director - Non-executive
Paul Crawford	Director - Executive
Allan Buckler	Director - Non-executive
James Brown	Director - Non-executive

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

	2020	2019
	\$	\$
Short-term employee benefits	1,086,633	697,944
Post-employment benefits	61,772	52,056
Other long-term benefits	-	-
Share-based payments	32,050	-
Total KMP compensation	<u>1,180,455</u>	<u>750,000</u>

Short-term employee benefits

These amounts include salary, fees and paid leave benefits paid to the directors, or their related entities (Note 19).

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 options, and shares granted on grant date.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 6: EARNINGS PER SHARE

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.

	2020	2019
	\$	\$
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	2,054,565,673	1,718,318,957
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	2,054,565,673	1,718,318,957

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.

NOTE 7: AUDITORS' REMUNERATION

	2020	2019
	\$	\$
Remuneration of the auditor for:		
- auditing or reviewing the financial reports	48,000	37,000
- other assurance services	-	-
	48,000	37,000

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	442,660	772,005
Short-term bank deposits	50,000	1,050,128
	492,660	1,822,133

The effective interest rate on short-term bank deposits was 0.75% (2019: 1.75%). These deposits have an average maturity of 365 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:

	2020	2019
	\$	\$
Cash and cash equivalents	492,660	1,822,133

NOTE 9: TRADE AND OTHER RECEIVABLES

Current (unsecured):

Other Debtors	228,361	272,933
	228,361	272,933

Other debtors includes \$158,079 (2019: \$271,273) of GST/VAT amounts due from the Australian and Canadian taxation authorities, which represents a significant concentration of credit risk to the Group.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 10: OTHER ASSETS	2020	2019
	\$	\$
Current:		
Deposits	2,238	2,281
Prepayments	36,626	89,494
	38,864	91,775
NOTE 11: PLANT AND EQUIPMENT		
Plant and equipment		
At cost	194,855	172,701
Accumulated depreciation	(43,135)	(28,618)
	151,720	144,083
Reconciliation of the carrying amounts for property, plant and equipment:		
Balance at the beginning of year	144,083	5,518
Additions	26,942	144,051
Depreciation expense	(15,466)	(9,369)
Foreign currency translation	(3,839)	3,883
	151,720	144,083
NOTE 12: EXPLORATION AND EVALUATION ASSET		
Exploration and evaluation expenditure carried forward in respect of areas of interest are:		
Exploration and evaluation phase - group interest 100% (a)	17,839,978	19,111,142
Exploration and evaluation phase - subject to joint operation (b)	3,353,128	766,257
	21,193,106	19,877,399
(a) Movement in exploration and evaluation expenditure:	Non-Joint Operation	
Opening balance - at cost	19,111,142	12,712,550
Capitalised exploration and evaluation expenditure	2,534,017	4,609,557
Transfer from joint operations	(1,849,946)	1,096,431
Capitalised exploration expenditure written-off	(1,545,618)	-
Foreign currency translation movement	(409,617)	692,604
	17,839,978	19,111,142
(b) Movement in exploration and evaluation expenditure:	Subject to Joint Operation	
Opening balance - at cost	766,257	606,637
Capitalised exploration and evaluation expenditure	767,192	1,237,873
Transfer to joint operations	1,849,946	(1,096,431)
Foreign currency translation movement	(30,267)	18,178
	3,353,128	766,257

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 12: EXPLORATION AND EVALUATION ASSET (continued)

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 and evaluation assets included \$1,385,539 (2019: \$4,164,921) on the Authier Lithium project in Canada. A further \$1,915,670 (2019 \$1,680,581) has been expended on existing and new projects. Of that total, \$309,345 (2018: \$133,540) was settled by issue of 30,217,160 (2019: 7,042,079) 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.

NOTE 13: RIGHT-OF-USE-ASSETS & LEASE LIABILITY

The Group has a lease of premises with possible expiry in 2022. Lease payments are subject to annual adjustments, and there is an option to extend.

Right-of-use assets	2020
	\$
Leased Building	123,836
Accumulated Depreciation	(38,103)
	85,733
Movement in carrying amounts:	
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	123,836
Depreciation Expense	(38,103)
Net Carrying Amount	85,733
Lease Liability	
- Current	37,540
-Non Current	51,558
	89,098
Depreciation charge related to right-of-use assets	38,103
Interest Expense on Lease Liabilities	4,862
Total Yearly cash outflows for leases	39,600

NOTE 14: TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Current (unsecured):		
Trade creditors	642,963	710,287
Sundry creditors and accrued expenses	251,226	235,619
Total trade and other payables	894,189	945,906
Financial liabilities at amortised cost classified as trade and other payables:		
Financial liabilities as trade and other liabilities (refer Note 21)	894,189	945,906

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 15: PROVISIONS

Current:	2020	2019
	\$	\$
Provision for employee entitlements	61,429	38,846
Opening balance	38,846	47,811
Additional provisions	61,981	48,056
Amounts used	(39,398)	(57,021)
Balance at year end	61,429	38,846

NOTE 16: ISSUED CAPITAL

	2020	2019
	\$	\$
Fully paid ordinary shares	84,930,181	79,309,022

Ordinary shares issued during the year

	No.	No.
Balance at the beginning of the reporting period	1,722,574,344	1,715,532,065
Shares issued during the prior year:		7,042,279
Shares issued during the current year:		
23 August 2019, new issue of shares at \$0.0086 per share were issued under the Share Placement Program.	83,295,471	
23 August 2019, new issue of shares at \$0.0086 per share were issued as a Management Placement.	43,927,651	
29 October 2019, new issue of shares at \$0.00 per share were issued to Acuity Capital.	95,000,000	
29 November 2019, new issue of shares at \$0.0086 per share were issued as a Director Placement.	93,023,259	
29 November 2019, new issue of shares at \$0.01 per share were issued to the Group CEO.	2,000,000	
30 November 2019, new issue of shares at \$0.01 per share were issued to the Canadian CEO.	2,000,000	
30 December 2019, new issue of shares at \$0.01 per share were issued to the Pikogan native title holders.	27,500,000	
14 January 2020, new issue of shares at \$0.021 per share issued to Obsidian Global GP.	40,000,000	
15 January 2020, new issue of shares at \$0.0099 per share following conversion of convertible notes	32,333,962	
8 April 2020, new issue of shares at \$0.0126 per share in settlement of tenement acquisition	2,717,160	
21 April 2020, new issue of shares at \$0.078 per share following a conversion of options.	6,749	
29 April 2020, new issue of shares at \$0.008 per share were issued under an entitlement offer.	324,580,104	
Balance at reporting date	2,468,958,700	1,722,574,344

Share issues on 29 October and 14 January relate to "collateral" for finance facilities - refer note 30.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 16: ISSUED CAPITAL (continued)

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.

Options on issue are as follows:

	2020	2019
	\$	\$
(i) Unlisted employee and officer options		
Balance at beginning of reporting period	-	-
Granted (Note 23)	8,000,000	-
Exercised	-	-
Expired	-	-
Balance at reporting date	8,000,000	-

Employee incentive options issued in the period were approved at the Company's Annual General Meeting in November 2019, with key terms:

- 4,000,000 options expiring 2 years after grant date, each option to acquire ordinary shares at \$0.03
- 4,000,000 options expiring 3 years after grant date, each option to acquire 1 ordinary share at \$0.04

All options have vested.

The options have been valued at \$0.003 each, with \$24,100 recognised in the reserves and charged to profit & loss.

(ii) Listed options

Balance at beginning of reporting period	120,242,589	120,242,789
Granted	182,716,433	-
Exercised	(6,749)	(200)
Expired	(120,235,840)	-
Balance at reporting date	182,716,433	120,242,589

On 29 April 2020, 182,716,433 options were granted to shareholders as part of a capital raise. These options are exercisable at \$0.02 each and expire on 29 April 2023.

Unexercised listed options issued in a prior year, exercisable at \$0.078 each expired on 30 April 2020.

(iii) Other Unlisted options

Balance at beginning of reporting period	-	-
Granted during the period	114,992,301	-
Exercised during the period	-	-
Expired during the period	-	-
Balance at reporting date	-	-
Balance at reporting date	114,992,301	-

Unlisted options issued during the year consisted of 110,123,160 options relating to shares subscribed for under a Share Placement Plan offer and Management/Director placement.

One free option was issued for each 2 shares subscribed, each option is exercisable at \$0.03 to acquire 1 ordinary share with all options expiring in July 2022.

No value is ascribed to unlisted shareholder options for accounting purposes.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 16: ISSUED CAPITAL (continued)

In addition, 4,869,141 unlisted options were issued to Jett Capital Advisors LLC for services provided. Each option is exercisable at \$0.012 and expire 17 February 2023.

The options have been valued at \$0.010 each, with \$49,182 recognised in the reserves and charged to profit & loss.

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.

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.

In the current year, capital management strategy has included the use of collateral shares and convertible notes.

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.

NOTE 18: CASH FLOW INFORMATION

	Note	2020 \$	2019 \$
(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax:			
Loss from ordinary activities after income tax		(5,403,751)	(2,225,651)
Non-cash flows in profit from ordinary activities:			
Depreciation/amortisation		53,569	9,369
Share based payments – corporate costs		49,182	-
Share based payments - remuneration		64,100	-
Write-off capitalised exploration expenditure	3	1,545,618	-
Changes in operating assets and liabilities:			
(Increase)/Decrease in trade and other receivables		101,239	232,078
(Increase)/Decrease in other assets		53,941	90,128
(Decrease)/Increase in creditors and accruals		(46,520)	(689,937)
(Decrease)/Increase in provisions		6,267	(9,441)
Cash flows from operations		(3,576,355)	(2,593,454)

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 18: CASH FLOW INFORMATION (continued)

(b) Non-cash Financing and Investing Activities

Issue of 95,000,000 shares to Acuity Capital, with nil value on 29 October 2019, for services provided.

Issue of 4,000,000 shares and 8,000,000 unlisted options as remuneration to executives of the Company approved by shareholders on 29 November 2020.

Issue of 27,500,000 shares to The Council of the First Nation Abitibiwinni (Pikogan), native title holders, on 20 December 2019 as settlement for enabling works during the exploration phase to proceed.

Issue of 32,333,962 shares to Obsidian Global GP, on exercise of convertible notes.

Issue of 2,717,160 shares issued to Exiro Mineral Corporation, in settlement of tenement acquisition on 8 April 2020.

Grant of 20,426,423 listed options to Maye Capital Pty Ltd on 29 April 2020, for services provided.

In the prior year a total of 7,042,279 shares were issued in settlement of tenement acquisitions.

(c) Changes in liabilities from financing activities

	Balance 1 July 2019	Application of AASB 16	Cash Flows	Non-cash movements	Balance 30 June 2020
Convertible Notes (note 30)	-	-	318,748	(318,748)	-
Lease liabilities					
Total	-	123,836	(34,738)	-	89,098
	-	123,836	284,010	(318,748)	89,098

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 5).

(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 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 \$72,000 were incurred during the year (2019:\$75,000). \$11,150 was owed by the company at 30 June (2019: Nil).

Included in payables (note 14) is \$227,555 remuneration payable to other directors.

NOTE 20: COMMITMENTS

	2020 \$	2019 \$
(a) Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements:		
Not later than 1 year	-	3,579
Between 1 year and 5 years	-	-
Total commitment	-	3,579

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 20: COMMITMENTS (continued)

In addition to the above, the Group has a month to month lease for office premises which has now been assessed as being a Right of Use Asset (note 13).

(c) 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.

The following commitments exist at balance date but have not been brought to account.

	2020	2019
	\$	\$
Not later than 1 year	1,193,834	1,521,794
Between 1 year and 5 years	997,271	1,105,871
Total commitment	<u>2,191,105</u>	<u>2,627,665</u>

Under the earn-in agreement with Altura Mining (note 25), exploration amounts paid will be applied to meet some of the above exploration commitments.

The Group has submitted a bid for the assets of North American Lithium Inc. (NAL) with the Court appointed Monitor. Details are provided in the Review of Operations section of the Directors' Report. A successful bid for NAL would result in additional financial commitments to the Group. It is not possible to quantify any commitment at this time.

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) below.

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 and foreign exchange 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 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.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

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

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
2020	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents (i)	492,660	-	-	492,660
Receivables (ii)	228,361	-	-	228,361
	721,021	-	-	721,021
Financial liabilities				
Payables (ii)	894,189	-	-	894,189
Lease Liability (iii)	37,540	40,930	10,628	89,098
	931,729	40,930	10,628	983,287
Net cash flow on financial instruments	(210,708)	(40,930)	(10,628)	(262,266)
2019	1 year or less	1 to 2 years	More than 2 years	Total
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents (i)	1,822,133	-	-	1,822,133
Receivables (ii)	272,933	-	-	272,933
	2,095,066	-	-	2,095,066
Financial liabilities				
Payables (ii)	945,906	-	-	945,906
	945,906	-	-	945,906
Net cash flow on financial instruments	1,149,160	-	-	1,149,160

(i) Floating interest with a weighted average effective interest rate of 0.75% (2019: 1.75%).

(ii) Non-interest bearing.

(iii) Incremental borrowing rate 4.25%

(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 Canadian and US Dollar. No derivative financial instruments are employed to mitigate the exposed risks. Risk is reviewed regularly, including forecast movements in these currencies by the senior executive team and the Board.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

These foreign exchange risks arose from

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

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

	CAD	USD
	2020	2020
Cash and cash equivalents	183,856	3,877
Receivables	151,355	-
Payables	(465,709)	-
	(130,498)	3,877
	CAD	USD
	2019	2019
Cash and cash equivalents	98,892	4,503
Receivables	262,606	-
Payables	(630,649)	-
	(269,151)	4,503

(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 \$194 +/- (2019: \$238).

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 \$11,525 +/- (2019: \$13,457).

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 +/- \$4,927 (2019: \$18,221).

(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.

NOTE 22: CONTINGENT LIABILITIES

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

NOTE 23: SHARE BASED PAYMENTS

Options

The following options were issued during the year.

On 29 November 2020, 4,000,000 unlisted options were issued to Brett Lynch as part of his remuneration.

On 29 November 2020, 4,000,000 unlisted options were issued to an employee as part of his remuneration.

On 17 February 2020, 4,869,141 unlisted options to Jett Capital Advisors LLC for services provided.

On 29 April 2020, 20,426,423 listed options to Maye Capital Pty Ltd for services provided.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 23: SHARE BASED PAYMENTS (continued)

Options issued are summarised as:	2020		2019	
	Number of	Weighted	Number of	Weighted
	Options	Average Exercise Price	Options	Average Exercise Price
	No	\$	No	\$
Outstanding at beginning of the year	-	-	-	-
Granted	33,295,564	0.022	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at period end	33,295,564	0.022	-	-
Exercisable and vested at year end	33,295,564	0.022	-	-

Shares

On 29 October 2019, 95,000,000 new shares were issued as part of a funding facility.

On 29 November 2020, 4,000,000 new shares were issued as remuneration to executives of the Company.

On 20 December 2019, 27,500,000 new shares were issued under an agreement.

On 14 January 2019, 40,000,000 new shares were issued as part of a funding facility.

On 8 April 2020, 2,717,160 new shares were issued in settlement of tenement acquisition.

Other than where indicated otherwise, the value of the shares issued was determined by reference to market price.

NOTE 24: EVENTS AFTER BALANCE DATE

Key events since the end of the financial year have been:

On 15 July 2020 the Company announced it had entered into a formal agreement with Obsidian Global GP, LLC, for the early close out of the convertible securities funding facility. All amounts drawn under the facility were either converted to shares or repaid.

On 22 July 2020, the Company issued 331,250,000 new shares at an issue price of \$0.008 each, and 187,625,016 free attaching options to parties, representing the shortfall from the renounceable entitlement offer undertaken in April 2020 together with an additional placement. Options have same conditions as those granted under the entitlement offer. Total funds raised were \$2,650,000.

On 6 August 2020, the Company announced the expansion of its Tansim Lithium Project, with the acquisition of an additional 39 claims spanning 2,234 hectares. Subsidiary company, Sayona Quebec Inc. holds 100% interest in the tenements.

On 7 August 2020, the Company issued 3,437,500 new shares at an issue price of \$0.008 each, and 1,718,750 free attaching options to an advisor in settlement of services provided.

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continued to spread throughout Australia and the World. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on Australian and international economies.

The Group's core business is mineral exploration and development in Australia and Canada. To the date of this report the Group has not experienced any significant adverse impact. Government directives and travel restrictions, primarily in Quebec, have limited the Group's ability to undertake some activity. The situation has eased significantly recently and operations are returning to normal.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 24: EVENTS AFTER BALANCE DATE (continued)

The Directors are actively monitoring the Group's financial condition, operations and workforce. Although the Group cannot estimate the length or gravity of the impacts of these events at this time, if the pandemic continues beyond the short-term or worsens, then this may have an adverse effect on the Group's results of future operations, financial position and liquidity in the financial year 2021.

On 7 September 2020, the Company entered into a Share Placement Agreement with Battery Metals Capital Group, LLC. The agreement provides for a placement of ordinary shares worth up to US\$2 million (AUD\$2.73m), with an initial investment of US\$585,000 for placement shares worth US\$635,000 and a second investment of US\$1,415,000 for shares worth US\$1,545,000, subject to shareholder approval.

In addition, the Company has the option to receive an additional investment of US\$2,000,000 for placement shares worth US\$2,180,000 at each of the six month, 12 month and 18 month anniversaries of the date of the second investment. The Company is under no obligation to draw down these additional investments.

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

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 Note 12).

Sayona Lithium Pty Ltd

The Group holds an 80% interest in the Western Australian mineral tenement E59/2092 (Mt Edon) at 30 June 2020. 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.

During the period, the Group entered an "Earn-In" Agreement with lithium producer Altura Mining Limited (ASX:AJM). Altura is to spend \$1.5m on exploration within three years to earn a 51% stake in the Company's Australian tenements.

Sayona Quebec Inc.

On 18 January 2018, the Company entered into an acquisition agreement with Matamec Explorations Inc in relation to a number of mineral claims in Quebec. The acquisition includes the staged payments of cash and exploration commitments, and net smelter royalty payable to Matamec should Sayona achieve 100% ownership.

At 30 June 2020, the Company held a 50% interest in the property (Tansim project).

Sayona can then earn 100% interest in the property by completing the milestones in the timeframes outlined below:

Investing CAD\$200k in exploration and pay CAD\$100k in cash to Matamec within the first 12 months; and

Investing CAD\$350k in exploration and pay CAD\$250k in cash to Matamec within 12 and 24 months of signing.

All conditions have been met other than the payment of CAD\$250,000 in cash which will be paid by December 2020.

On 28 February 2019, the Company expanded the Tansim project with the acquisition of the Lac Simard lithium prospect. Under the agreement the vendor retains a 2% net smelter return royalty.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

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.

	2020	2019
	\$	\$
Current assets	409,530	1,750,503
Non-current assets	21,283,366	19,819,743
Total assets	21,692,896	21,570,246
Current liabilities	495,610	337,710
Non-current liabilities	51,558	-
Total liabilities	547,168	337,710
Net Assets	21,145,728	21,232,536
Contributed equity	84,930,181	79,309,022
Option Reserve	114,135	-
Accumulated losses	(63,898,588)	(58,076,486)
Total equity	21,145,728	21,232,536
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	5,822,102	-
Total other comprehensive income	-	-
Total comprehensive loss for the year	5,822,102	-

Guarantees

There are no parent company guarantees.

Contingent Liabilities

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

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.

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

Sayona International Pty Ltd, incorporated in Australia on 29 April 2016. The parent entity holds 100% of the ordinary shares of the entity.

Sayona Quebec Inc, incorporated in Canada on 7 July 2016. The parent entity holds 100% of the ordinary shares of the entity.

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

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 27: INTERESTS IN SUBSIDIARIES

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: 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:

Primary Reporting: Geographical Segments

	Australia		Overseas		Consolidated Group	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
REVENUE						
Revenue	54,866	112,405	5,563	11,693	60,429	124,098
Total revenue from ordinary activities	54,866	112,405	5,563	11,693	60,429	124,098

RESULT

Profit/(loss) from ordinary activities before income tax expense	(5,057,425)	(504,925)	(346,326)	(1,720,726)	(5,403,751)	(2,225,651)
Income tax expense	-	-	-	-	-	-
Profit/(loss) from ordinary activities after income tax expense	(5,057,425)	(2,197,589)	(346,326)	(130,874)	(5,403,751)	(2,225,651)

	Australia		Overseas		Consolidated Group	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
ASSETS						
Segment assets	2,345,992	5,000,144	19,844,452	17,208,179	22,190,444	22,208,323

LIABILITIES

Segment liabilities	550,521	341,931	494,194	642,821	1,044,715	984,752
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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 29: FAIR VALUE MEASUREMENT

The Group does not measure any assets or liabilities at fair value on a recurring basis after initial recognition.

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

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 30: SHARE ISSUES FOR FINANCE FACILITIES

Controlled Placement Agreement

During the financial year, the Company entered into a Controlled Placement Agreement and issued 95,000,000 shares as collateral. These collateral shares were issued for nil consideration and are similar to treasury shares.

Under the Agreement, the Group has standby equity capital of up to \$3m over the period 31 January 2022.

The Group controls all aspects of any such placement under the Agreement. The collateral share are cancellable at any time by the Group for no consideration. The collateral shares may be applied by the Group to meet any share issues under the Agreement when subscription monies are received. The Company receives 90% of subscription monies with the remaining 10% retained by the subscriber.

Convertible Note Facility

During the financial year, the Company established a finance facility of \$2,750,000 with an initial tranche of \$1,000,000 drawn down in the form of convertible notes.

Key features of the facility were:

- each note was priced at US\$1.00 with a face value of US \$1.10;
- the notes are interest free, but fees/charges are payable;
- the facility term is cancellable at any time and the initial tranche of notes had a 90 day term;
- the facility was secured by the issue of 40,000,000 ordinary shares;
- conversion of the initial tranche of notes was based on a VWAP formula or a fixed price of \$0.015;
- conversion of the notes is at discretion of the note holder;
- redemption of the notes is at the discretion of the Company, or otherwise at expiry date.

Movements in the convertible note facility were as follows:

	Number	\$
Opening Balance	-	-
Initial tranche (January 2020)	691,400	1,102,593
Conversion into 32,333,962 ordinary shares (January 2020)	(200,000)	(318,748)
Redemption (May 2020)	(491,400)	(783,790)
Closing Balance	-	-

The entire facility was then terminated. The collateral shares were applied as follows:

	Number
Opening Balance	-
Issued	40,000,000
Sold on termination of the facility	(40,000,000)
Closing Balance	-

The collateral shares were valued on issue at market value (\$840,000), and on termination of the facility the proceeds were paid to the Company, less agreed fees and charges paid to the financier for provision of the facility.

Total finance costs of the facility:

	\$
Fees and charges	185,268
Proceeds of collateral shares paid to financier	600,000
Total	785,268

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 30: SHARE ISSUES FOR FINANCE FACILITIES (continued)

The convertible notes were accounted for on issue date as a liability on the basis that the conversion to shares is a variable number based on share price and foreign exchange rate.

NOTE 31: COMPANY DETAILS

The registered office and principal place of business is:

Sayona Mining Limited
Unit 68
283 Given Terrace
Paddington Queensland 4064

DIRECTORS' DECLARATION

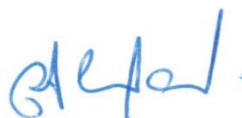
The Directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Australian Accounting Standards applicable to the Company 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 2020 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 declaration of 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.



Brett Lynch
Managing Director



Paul Crawford
Director

Dated this: 15th day of September 2020

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 subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2020, 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 financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group 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 2020 and of its 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. 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, would be in the same terms if given to the directors as at the time 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.

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.

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

(continued)

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of exploration and evaluation assets</p> <p>Refer to note 12 (exploration and evaluation assets)</p> <p>As at 30 June 2020 the carrying value of exploration and evaluation assets is \$21,193,106. 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 as this is a significant asset of the Group, and 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 AASB 6 Exploration for and Evaluation of Mineral Resources.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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; • We obtained evidence of the future intention for the areas of interest, including reviewing future budgeted expenditure and related work programs; • We obtained an understanding of the status of ongoing exploration programs, for the areas of interest; • We obtained evidence as to the assumptions made by management in the determination of the recoverable value of the asset.
<p>Preparation of financial statements on a going concern basis</p> <p>Refer to note 1 Continued Operations and Future Funding</p> <p>As at 30 June 2020 the ability of the Group to settle its liabilities and execute its currently planned exploration activities requires additional funds. On the basis of various arrangements currently in place to raise additional capital, and for the Australian exploration projects, and options available to fund the Canadian exploration projects, the going concern basis has been adopted in preparing the financial statements.</p> <p>This is a key audit matter as the availability of funds is critical to the continuity of business, and the carrying value and classification of assets and liabilities in the financial statements.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We evaluated management's assessment of the Group's ability to continue as a going concern; • We reviewed the Group's cash flow forecast, including checking the mathematical accuracy, agreed it to be the latest Board approved forecast, and tested the key assumptions used in the forecast; • We performed sensitivity analysis on the cash flow forecast; • we evaluated the adequacy of the disclosures made in the financial statements in relation to going concern.

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 in the Group's Annual Report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon. The Annual Report will be made available to us after the date of this auditor's report. Our opinion on the financial report does not cover the other information and 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and request that a correction be made.

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 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 Group's ability 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.

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

(continued)

- 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.
- 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, actions taken to eliminate threats or safeguards applied.

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 pages 11 to 15 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Sayona Mining Limited for the year ended 30 June 2020 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****ND Bamford**

Director

Level 28, 10 Eagle Street
Brisbane Qld 4000

Date: 15 September 2020