

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**FINANCIAL REPORT
FOR THE HALF - YEAR ENDED
31 DECEMBER 2016**

The information contained in this report is to be read in conjunction with the Company's 2016 annual report and any announcements made to the market during the half-year ending 31 December 2016.

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DIRECTORS' REPORT

Your Directors present their report of the Company and its controlled entities for the half year ended 31 December 2016.

DIRECTORS

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

Dennis O'Neill	Alan Buckler
Paul Crawford	James Brown

REVIEW OF OPERATIONS

The loss of the consolidated group after providing for income tax for the half year was \$1,151,089 (2015: \$1,175,365 loss).

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

This has entailed:

- expanding a package of lithium prospective exploration tenements in Western Australia; and
- the acquisition of the Authier lithium project in Canada.

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

Authier, Canada

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

As part of its initial due diligence on the proposed acquisition, an independent JORC Mineral Resource estimate, totalling 9.12 million tonnes containing 87,302 tonnes of Li₂O was completed.

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

During the period, the Company commenced a pre-feasibility study to assess the development potential of a simple, low strip ratio, open-cut mining operation and processing facility producing spodumene concentrate.

During the period, the Company completed a 4,000 metre diamond drilling program. The drilling program was designed to:

- Convert the inferred mineral resources to measured and indicated through further drilling;
- Explore for extensions to the existing mineral resources and other potential mineralisation within the tenement package;
- Collect geotechnical data for incorporation in the Authier Feasibility Studies; and
- Collect drill core for any additional metallurgical testing that may be required to complete a Definitive Feasibility study, planned for 2017.

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Following completion of the drilling program, the Company completed an updated JORC Mineral Resource estimate for the Authier lithium project. The significantly expanded Mineral Resource estimate is tabulated below. The contained lithium dioxide Mineral Resource has increased by 68% from 87,302 tonnes to 146,700 tonnes compared to the July 2016 JORC Mineral Resource estimate. The average grade has increased from 0.96% Li₂O to 1.07% Li₂O, and 86% of the contained Mineral Resource is categorised within the Measured and Indicated Mineral Resource categories.

Authier JORC Mineral Resources Estimate (0.5% Li₂O cut-off grade)			
Category	Tonnes (Mt)	Grades Li₂O	Contained Li₂O
Measured	4.72	1.03%	48,519
Indicated	7.13	1.10%	78,280
Inferred	1.90	1.05%	19,901
Total	13.74	1.07%	146,700

The mineralisation remains open in all directions.

Western Australian Lithium Projects

Western Australia is a premium lithium province with world-class, high-grade lithium deposits associated with rare metal pegmatites. The Company has secured two regional project areas. During the period, the Company expanded its lithium portfolio to 1,987 km² through the application for additional tenements and by entering into an option agreement over tenure with Great Sandy Pty Ltd.

Pilbara Lithium Project, Pilgangoora district

The Companies Pilbara project covers 1047km² and secures areas of tin-tantalum and complex pegmatites with no past lithium exploration. The company is exploring these areas for spodumene bearing pegmatite.

Exploration activity during the period focused on the granted tenements.

Tabba Tabba Area -E45/2364 (pegmatite rights only) and ELA45/4703.

The Tabba Tabba project, located north of Pilgangoora is prospective for spodumene bearing pegmatites, similar to those located at Pilgangoora and Mount Cassiterite at Wodgina. Tenement E45/2364 covers a 10 km strike extent of the greenstone stratigraphy to the south of the Tabba Tabba tantalum mine. Lithium mineralisation is recorded in pegmatites elsewhere within the belt.

During the period, exploration included rock sampling and soil orientation sampling, with 72 rocks and 115 soil geochemical samples collected. Geochemical orientation was also carried out with the collection of 69 pegmatite rock samples, 88 soil samples and 11 stream samples.

Results define three zones of tantalum anomalous pegmatites within greenstone, (maximum 357ppm tantalum, 387ppm Li₂O, 428ppm cesium and 3,000ppm rubidium) and a 3km corridor of lithium anomalous pegmatites in the south east of the tenement area.

Mallina Project

The Mallina project is located 80 kilometres west of the Pilgangoora lithium deposits of Altura Mining and Pilbara Minerals, and compliments the Company's other 1,000 km² lithium exploration portfolio in the Pilbara region.

The discovery pegmatite was recently identified during routine reconnaissance of the area. Twenty-two rock samples were collected from granite and pegmatite. Two of the samples, NEAC1362 and NEAC1363 returned assays of 5,755 ppm lithium (1.23% Li₂O) and 3,969ppm lithium (0.85% Li₂O), together with highly anomalous rubidium, caesium, tin and tantalum results (see table 2). The

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geochemical results are indicative of complex, rare metal highly fractionated, LCT pegmatite. Petrology and XRD analysis confirmed the lithium mineralisation is present as the mineral spodumene.

Subsequent sampling of the discovery area confirmed anomalous lithium, with the highest of the 10 samples returning up to 9,910 ppm lithium (2.13% Li₂O) and extending the strike of the pegmatite to over 500 metres. Of the 10 samples collected over the discovery pegmatite to date along its 500m strike the average assay is 1.28% Li₂O.

The Great Sandy Option also includes three other project areas, comprising 8 tenements. All the project areas remain virtually unexplored for lithium mineralisation despite evidence of fertile pegmatite systems being present.

Subsequent to the end of the period, the Company has undertaken first pass assessment and geochemical sampling at the Mallina spodumene discovery area.

Mount Edon Project

Mount Edon covers the southern portion of the Paynes Find greenstone belt, South Murchison, which are host to an extensive swarm of pegmatites. The pegmatites have not previously been assessed for their lithium potential but have been variably prospected and mined for tantalum, mainly within an excised mining lease.

Over 70 pegmatites have been identified during reconnaissance mapping. A total of 126 pegmatite rock samples have been collected to date and have returned a peak assay of 1.57% Li₂O in lepidolite rich pegmatite. During the period, results were received for 500 soil geochemical samples, collected as an orientation survey over the main pegmatite area.

Results are continuing to be evaluated and further follow up sampling is required to determine the source of the lithium anomalism and define any zonation within the more prospective pegmatites that can be used to vector into spodumene mineralisation if present. Much of the broader tenement areas remain unexplored.

East Kimberley Graphite, Western Australia

The Kimberley region is a proven province for high purity, large flake graphite.

The project area is located within the East Kimberley region of Western Australia, 240 kilometres south of Wyndham Port and 220 kilometres south-south-west of the regional centre, Kununurra. The project includes three granted tenement and an additional tenement applications. The project covers 278 km².

Since acquiring the project areas, the Company has drilled 33 reverse circulation holes totalling 2,949 metres in six prospect areas within the Corkwood tenements. Every hole intersected visual flake graphite mineralisation. In addition, a number of petrographic and flotation studies were undertaken on drill material.

During the current period, additional interpretation work has been undertaken and the Company has exercised its option to acquire a 100% interest in the tenement E80/4949 and other tenement applications from Attagold Pty Ltd.

Corporate

During the six months, the Company completed a private placement and fully underwritten, accelerated rights offering to raise \$7.0 million. The terms of the capital raising, included:

- a private placement of 133,067,264 shares at an issue price of \$0.027 per share and 66,533,638 free attaching options, exercisable at \$0.03 and expiring 30 December 2016 ;
- a 1 for 5 entitlement offer at an issue price of \$0.027 per share;

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- 1 free attaching option, exercisable at \$0.03 and expiring 30 December 2016, for every 2 shares applied for;
- a placement, pursuant to shareholder approval of 22,222,222 shares at an issue price of \$0.027 per share and 11,111,111 free attaching options, exercisable at \$0.03 and expiring 30 December 2016; and
- the issue of 5,000,000 listed options in part settlement of raising management and underwriting fees.

During the period, the Company issued 1,851,852 shares at an issue price of \$0.027 per share and 3,000,000 shares at an issue price of \$0.025 per share in settlement of commitments under tenement acquisition agreements.

During the period, 43,764,995 listed options exercisable at 3 cents were exercised by option holders. Proceeds of \$1,309,810 were received by the Company. The remaining listed options expired on the 30 December, 2016. In addition, 6,000,000 unlisted employee options were exercised at 1 cent, raising \$60,000.

Pursuant to the option expiry underwriting agreement with SMSF Specialists (SA) Pty Ltd, The Company placed 19,000,000 shares, raising an additional \$570,000 in January 2017.

SUBSEQUENT EVENTS

The following matters or circumstances have arisen since balance date:

- On 11 January 2017, the Company issued the following securities:
 - 43,660,320 fully paid shares in respect of the exercise of listed share options, raising \$1,309,810;
 - 19,000,000 fully paid shares in respect of the partial underwriting of the exercise of listed share options, raising \$570,000; and
 - 1,710,000 fully paid shares in settlement of underwriting fees.
- On 22 February 2017, the Company made the final payment of \$120,000 in relation to the Heads of Agreement with Attagold Pty Ltd, covering a number of East Kimberley graphite tenements. The payment was settled through the issue of 3,750,000 of shares in Sayona Mining Limited.

AUDITOR INDEPENDENCE

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

Signed in accordance with a resolution of the Directors.



Dennis C. O'Neill
Director
Brisbane



Paul A. Crawford
Director

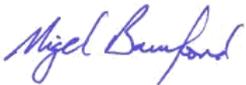
15 March 2017

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 there have been no contraventions of:

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

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

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

Date: 15 March 2017

Nexia Brisbane Audit Pty Ltd

Registered Audit Company 299289
Level 28, 10 Eagle Street
Brisbane QLD 4000
GPO Box 1189
Brisbane QLD 4001
p +61 7 3229 2022
f +61 7 3229 3277
e email@nexiabrisbane.com.au
w nexia.com.au

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Dennis C. O'Neill
Director



Paul Crawford
Director

Dated this: 15th day of March 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
for the half-year ended 31 December 2016

	Note	Consolidated Group 31 December 2016 \$	31 December 2015 \$
Revenue and other income	2	5,960	29,195
Administrative expenses		(555,146)	(330,151)
Current period exploration & evaluation expenditure written-off	2	(261,790)	(548,322)
Employee benefit expense		(254,789)	(296,443)
Occupancy expenses		(20,593)	(19,836)
Net loss on financial asset at fair value through profit and loss	2	(64,731)	(9,808)
Loss before income tax		(1,151,089)	(1,175,365)
Income tax expense		-	-
Loss for the period		(1,151,089)	(1,175,365)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive income for the half-year		-	-
Total comprehensive loss attributable to members		(1,151,089)	(1,175,365)
Earnings per Share			
From continuing operations			
Basic earnings per share (cents per share)	9	(0.18)	(0.24)
Diluted earnings per share (cents per share)	9	(0.18)	(0.24)
Dividends per share (cents per share)		-	-

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016**

	Note	Consolidated Group	
		31 December 2016 \$	30 June 2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,657,665	62,603
Trade and other receivables		76,273	36,886
Financial assets	3	13,731	78,462
Other assets		67,079	14,850
Total Current Assets		1,814,748	192,801
NON-CURRENT ASSETS			
Property, plant and equipment		8,341	6,025
Exploration and evaluation asset	4	6,877,883	1,438,736
Total Non-Current Assets		6,886,224	1,444,761
TOTAL ASSETS		8,700,972	1,637,562
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	5	1,808,240	303,893
Total Current Liabilities		1,808,240	303,893
TOTAL LIABILITIES		1,808,240	303,893
NET ASSETS		6,892,732	1,333,669
EQUITY			
Issued capital	6	59,650,847	52,945,695
Reserves		151,959	146,959
Accumulated losses		(52,910,074)	(51,758,985)
TOTAL EQUITY		6,892,732	1,333,669

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year-ended 31 December 2016

Consolidated Group	Note	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2015		50,069,511	(44,719,780)	(4,527,230)	-	822,501
Loss for the period		-	(1,175,365)	-	-	(1,175,365)
Other comprehensive income			-	-	-	-
Total comprehensive income (loss) for the period		-	(1,175,365)	-	-	(1,175,365)
Other						
Reserve transferred to retained earnings		-	(4,527,230)	4,527,230	-	-
Total other		-	(4,527,230)	4,527,230	-	-
Transactions with owners in their capacity as owners						
Shares issued during the period		2,602,696	-	-	-	2,602,696
Transaction Costs		(207,100)	-	-	-	(207,100)
Share based payments/transactions		40,088	-	-	146,959	187,047
Balance at 31 December 2015		52,505,195	(54,949,605)	4,527,230	146,959	2,229,779
Balance at 1 July 2016		52,945,695	(51,758,985)	-	146,959	1,333,669
Loss for the period		-	(1,151,089)	-	-	(1,151,089)
Other comprehensive income			-	-	-	-
Total comprehensive income (loss) for the period		-	(1,151,089)	-	-	(1,151,089)
Transactions with owners in their capacity as owners						
Shares issued during the period	6(a)	7,097,243	-	-	-	7,097,243
Transaction Costs	6(a)	(517,091)	-	-	-	(517,091)
Share based payments/transactions	6(a)	125,000	-	-	5,000	130,000
Total transactions with owners		6,705,152	-	-	5,000	6,710,152
Balance at 31 December 2016		59,650,847	(52,910,074)	-	151,959	6,892,732

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ending 31 December 2016

	Consolidated Group	
	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(937,242)	(985,279)
Interest received	5,960	20,447
Net cash provided by (used in) operating activities	(931,282)	(964,832)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,471)	(3,217)
Capitalised exploration expenditure	(5,364,147)	(752,556)
Net cash provided by (used in) investing activities	(5,368,618)	(755,773)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	7,097,243	2,602,696
Share application funds held pending issue of shares	1,309,810	-
Costs associated with shares & option issues	(512,091)	(162,012)
Net cash provided by (used in) financing activities	7,894,962	2,440,684
Net increase/(decrease) in cash held	1,595,062	720,079
Cash at 1 July	62,603	737,545
Cash at 31 December	1,657,665	1,457,624

The accompanying notes form part of these financial statements.

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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Sayona Mining Limited ("the company") is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company and its controlled entities ("the Group"). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 15 March 2017.

Continued Operations and Funding

The financial statements of the Group have been prepared on a going concern basis that contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group undertakes exploration activity on a number of projects. Historically, this activity has been financed by equity and joint operations. The Group's ability to continue with these planned exploration activities is dependent on having finance available.

At 31 December 2016 the Group had cash reserves of \$1,657,665. Commitments in relation to exploration approximates \$0.4m over the next 12 months. In addition, the Group will need to fund ongoing administration costs.

As set out in note 12, the Group has raised further funds since balance date. The ability of the Group to achieve its development goals and continue as a going concern will depend on attaining additional financing.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, subject to the following changes:

The Company has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements either is not relevant or not material.

NOTE 2: RESULT FOR THE PERIOD

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

Revenue

Interest received from other persons
Foreign exchange gains
Gain on disposal of controlled entity

	Half year ended 31 Dec 2016	Half year ended 31 Dec 2015
	\$	\$
	5,960	20,447
	-	8,188
	-	560
	<u>5,960</u>	<u>29,195</u>

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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 2: RESULT FOR THE PERIOD (continued)	Half year ended 31 Dec 2016	Half year ended 31 Dec 2015
	\$	\$
Expenses		
Exploration expenditure expensed during period	261,790	548,322
Loss on financial asset held for trading (note 3)	64,731	9,808
Foreign exchange gains	10,197	-
Depreciation	2,155	326

NOTE 3: FINANCIAL ASSETS	31 December 2016	30 June 2016
	\$	\$
Current:		
Financial assets at fair value through profit and loss (a)	13,731	78,462

- (a) These assets comprise ASX listed shares in Kimberley Diamonds Limited, received in September 2014 as part of settlement of the Company's deferred sale consideration for its former Lerala diamond mine.

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

NOTE 4: EXPLORATION AND EVALUATION ASSET	31 December 2016	30 June 2016
	\$	\$
Exploration and evaluation expenditure carried forward in respect of areas of interest are:		
Exploration and evaluation phase - company interest 100%	6,759,124	1,362,774
Exploration and evaluation phase - subject to joint operation	118,760	75,962
	6,877,884	1,438,736

(a) Movement in exploration and evaluation expenditure:	Non-Joint Operation	
	31 December 2016	30 June 2016
	\$	\$
Opening balance - at cost	1,362,774	-
Capitalised exploration expenditure	5,396,350	1,362,774
Carrying amount at 31 December 2016	6,759,124	1,362,774

(b) Movement in exploration and evaluation expenditure:	Subject to Joint Operation	
	31 December 2016	30 June 2016
	\$	\$
Opening balance - at cost	75,962	-
Capitalised exploration & evaluation expenditure	42,798	75,962
Carrying amount at 31 December 2016	118,760	75,962

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

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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 4: EXPLORATION AND EVALUATION ASSET (continued)

Sayona East Kimberley Graphite Pty Ltd

On 5 August 2016, the Company entered into a new Heads of Agreement with Attgold Pty Ltd, varying the terms of the option exercise component of the original Heads entered into on 6 February 2015. The new agreement extends the option payment terms from a one off payment of \$170,000 payable in August 2016 to split payment of \$50,000 in September 2016 and a further \$120,000 payable in January 2017. The payments are to be made in equivalent value of shares in Sayona Mining Limited. The Company issued 1,851,852 shares on 7 September 2016 in settlement of the first payment.

The final payment of \$120,000 was settled through the issue of 3,750,000 of shares on 22 February 2017.

In July 2015 the Company entered into a Tenement Option and Sale Agreement with Western Iron Pty Ltd to acquire 100% of the graphite interests in tenement E80/4511. Sayona paid Western Iron \$5,000 on signing and \$200,000 on 6 January 2016 to exercise its option. Western Iron is entitled to receive a 1% gross production royalty. Western Iron retains a Back-in option to the nickel, copper and iron mineralisation by the payment of \$100,000 within 12 months of completion date.

Sayona Lithium Pty Ltd

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

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

During the period, \$33,635 was expended and subsequently expensed.

Mt Edon

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

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

The agreement also provided the vendor with the right to explore for and develop other non-lithium commodity extraction within the Tenement during the option period.

Mt Edon West

On 17 March 2016, the Company entered into a binding heads of agreement with Attgold Pty Ltd to acquire a 100% interest in Western Australian mineral tenement E59/2055. Consideration for the acquisition was \$15,000 payable at completion of a 7 day due diligence period.

The agreement also provided the vendor with an exclusive right to explore for, extract and sell (in accordance with the terms of grant of the Tenement) any non-lithium containing materials within the Tenement.

Tabba Tabba East

On 17 March 2016, the Company entered into a binding heads of agreement with Attgold Pty Ltd to acquire the pegmatite interest in Western Australian mineral tenement E59/2364. The Company paid \$15,000 for a 1 year option to acquire the interest.

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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 4: EXPLORATION AND EVALUATION ASSET (continued)

Authier Lithium Project

On 1 May 2016, the Company entered into a binding term sheet with Glen Eagle Resources Inc. to acquire 100 per cent of the Authier project in Quebec, Canada for CAD\$4 million. The agreement was subject to the satisfactory completion of a 60-day due diligence period. The acquisition was completed on 20 July 2016.

NOTE 5: TRADE AND OTHER PAYABLES	31 December 2016	30 June 2016
	\$	\$
Current:		
Trade creditors	288,972	185,721
Sundry creditors and accrued expenses (a)	1,480,107	98,462
Employee provisions	39,161	19,710
Total trade & other payables (unsecured)	<u>1,808,240</u>	<u>303,893</u>
(a) Includes \$1,309,810 of share application funds received, for which shares issues were transacted after balance date (see note 12).		

NOTE 6: ISSUED CAPITAL	31 December 2016	30 June 2016
	\$	\$
804,963,882 (30 June: 537,262,813) fully paid ordinary shares	<u>59,650,847</u>	<u>52,945,695</u>

(a) Ordinary shares	Half year ended 31 Dec 2016	Half year ended 31 Dec 2015
	No.	No.
Balance at the beginning of the reporting period	537,262,813	411,534,809
Shares issued during the period:		105,711,337
8 July 2016, issue new at \$0.03 per share following exercise of options.	6,250	-
19 July 2016, issue new at \$0.03 per share following exercise of options.	4,361	-
19 July 2016, issue new at \$0.027 per share as a placement	133,067,264	-
20 July 2016, issue new at \$0.027 per share, in the institutional component of the rights issue.	70,539,643	-
17 August 2016, issue new \$0.027 per share in the retail component of the rights issue.	36,915,413	-
15 September 2016, issue new at \$0.027 per share as a placement	22,222,222	-

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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 6: ISSUED CAPITAL (continued)	Half year ended 31 Dec 2016	Half year ended 31 Dec 2015
	No.	No.
15 September 2016, issue new at \$0.027 per share in part settlement of tenement acquisition.	1,851,852	-
10 October 2016, issue new at \$0.03 per share following exercise of options.	94,064	-
12 December 2016, issue new at \$0.025 per share in part settlement of tenement acquisition.	3,000,000	-
Balance at reporting date	<u>804,963,882</u>	<u>517,246,146</u>
(b) Options on issue are as follows:	No.	No.
(i) Unlisted employee and officer options		
Balance at beginning of reporting period	30,500,000	-
Granted during the period	-	38,000,000
Exercised during the period	(6,000,000)	-
Balance at reporting date	<u>24,500,000</u>	<u>38,000,000</u>
(ii) Listed options		
Balance at beginning of reporting period	99,399,814	-
Granted during the period	136,372,298	110,916,481
Exercised during the period	(43,764,995)	-
Expired during the period	(192,007,117)	-
Balance at reporting date	<u>-</u>	<u>110,916,481</u>

NOTE 7: COMMITMENTS

(a) 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.

	31 December 2016	30 June 2016
	\$	\$
Not later than 1 year	282,178	193,651
Between 1 year and 5 years	505,055	203,562
Total commitment	<u>787,233</u>	<u>397,213</u>

(b) Option to acquire commitments

The entity holds options to acquire mineral tenements in relation to the East Kimberley graphite project. If an option to acquire is not exercised, the relevant commitment also ceases.

Not later than 1 year	120,000	-
Between 1 year and 5 years	-	-
Total commitment	<u>120,000</u>	<u>-</u>

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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 7: COMMITMENTS (continued)	31 December 2016 \$	30 June 2016 \$
(c) Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements:		
Not later than 1 year	-	9,369
Between 1 year and 5 years	-	-
Total commitment	-	9,369

The property lease is a non-cancellable lease for the Brisbane office. The lease terminated on 30 September 2016. A new lease has not been executed at 31 December 2016.

NOTE 8: RELATED PARTY TRANSACTIONS

Related party transactions are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated. In the current period, arrangements with related parties continue to be in place, consistent with those reported at 30 June 2016, subject to the following addition:

During the period, the parent entity engaged Cambridge Business & Corporate Services, an entity controlled by Mr Paul Crawford, a director of the company, to provide accounting, company secretarial and other services. Fees of \$60,000 were incurred during the period. \$22,000 was owed by the company at 31 December 2016.

NOTE 9: EARNINGS PER SHARE	Half year ended 31 Dec 2016 No.	Half year ended 31 Dec 2015 No.
The earnings figures used in the calculation of both the basic EPS and the dilutive EPS are the same.		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	639,580,938	486,770,687
Weighted average number of dilutive securities outstanding	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the period used in the calculation of diluted EPS	639,580,938	486,770,687

NOTE 10: DIVIDENDS

No dividends were declared or paid during the period.

NOTE 11: CONTINGENT LIABILITIES

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

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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 12: EVENTS AFTER THE END OF THE INTERIM PERIOD

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

- (i) On 11 January 2017, the Company issued the following securities:
- 43,660,320 fully paid shares in respect of the exercise of listed share options raising \$1,309,810;
 - 19,000,000 fully paid shares in respect of the partial underwriting of the exercise of listed share options raising \$570,000;
 - 1,710,000 fully paid shares in settlement of underwriting fees.
- (ii) On 22 February, the Company made the final payment of \$120,000 in relation to the Heads of Agreement with Attagold Pty Ltd, covering a number of East Kimberley graphite tenements. The payment was settled through the issue of 3,750,000 of shares in Sayona Mining Limited.

NOTE 13: SHARE BASED PAYMENTS

During the period, 131,372,298 options were granted as part of the issue of shares under an entitlement offer. These options are exercisable at \$0.03 each and expired on 30 December 2016, unless exercised. The options were listed on the Australian Securities Exchange.

In addition, 5,000,000 options were granted as part settlement of the underwriting and management fees associated with the entitlement offer. These options are exercisable at \$0.03 each and expired on 30 December 2016, unless exercised. The options are listed on the Australian Securities Exchange. The value of these options has been treated as a non-cash cost of issue of the placement of shares. An amount of \$5,000 has been credited to the Option Reserve.

On 7 September 2016, the Company issued 1,851,852 shares to Attagold Pty Ltd in settlement of the first tranche of shares to be issued under the revised Heads of Agreement entered into on 5 August 2016.

On 12 December 2016, the Company issued 3,000,000 shares to parties in settlement of services provided in relation to the acquisition of the Authier project in Canada.

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

	31 December 2016		31 December 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	No	\$	No	\$
Options issued under all share based payment arrangements are summarised as:				
Outstanding at beginning of the period	129,899,814	-	-	-
Granted	136,372,298	0.030	148,916,481	0.030
Exercised during the period	(49,764,995)	0.030		0.030
Expired during the period	(192,007,117)	0.030		0.030
Outstanding at period end	24,500,000	0.026	148,916,481	0.030
Exercisable & vested at period end	24,500,000	0.026	148,916,481	0.030

The weighted average remaining contractual life of options at year-end was 0.5 years. The exercise price of outstanding options at the end of the reporting period was \$0.03.

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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 14: FAIR VALUE MEASUREMENT

(a) Valuation Techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

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

(b) Financial Instruments

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities:

	31 December 2016		30 June 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2016	\$	\$	\$	\$
Financial assets				
Cash & cash equivalents	1,657,665	1,657,665	62,603	62,603
Receivables	76,273	76,273	36,886	36,886
Held for trading instruments	13,731	13,731	78,462	78,462
	1,747,669	1,747,669	177,951	177,951
Financial liabilities				
Payables	1,808,240	1,808,240	284,183	284,183
	1,808,240	1,808,240	284,183	284,183

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

Fair value measurements using quoted prices in active markets for identical assets:	31 December 2016 (Level 1)
Recurring fair value measurements	\$
- Shares in listed companies	13,731
Recurring fair value measurements	-

**SAYONA MINING LIMITED
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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 14: FAIR VALUE MEASUREMENT (continued)	30 June 2016 (Level 1)
Recurring fair value measurements	\$
- Shares in listed companies	78,462
Recurring fair value measurements	-

There were no transfers between Level 1 and Level 2 or Level 3 for assets measured at fair value on a recurring basis during the reporting period (30 June 2016: Nil transfers).

(d) Disclosed Fair Value Measurements

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

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Assets:				
Shares in listed companies	3	1	Closing quoted bid prices	Closing quoted bid prices

NOTE 15: OPERATING SEGMENTS

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

	Australia		Overseas		Economic Entity	
	Half Year ended 31 December		Half Year ended 31 December		Half Year ended 31 December	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
REVENUE						
Revenue	5,960	29,195	-	-	5,960	29,195
Total segment revenue	5,960	29,195	-	-	5,960	29,195
RESULT						
Loss from ordinary activities before income tax expense	(1,151,089)	(638,867)	-	(536,498)	(1,151,089)	(1,175,365)

**SAYONA MINING LIMITED
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**Notes to the Financial Statements
for the half year-ended 31 December 2016**

NOTE 15: OPERATING SEGMENTS (continued)

	Australia		Overseas		Economic Entity	
	December 2016 \$	June 2016 \$	December 2016 \$	June 2016 \$	December 2016 \$	June 2016 \$
ASSETS						
Segment assets	3,400,089	1,427,448	5,300,883	210,114	8,700,972	1,637,562
LIABILITIES						
Segment liabilities	1,808,240	283,954	-	19,939	1,808,240	303,893

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

Segment accounting policies are consistent with the economic entity.

Previous Disclosure - 2012 JORC Code

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

- Authier JORC Mineral Resource Estimate, 5 July 2016.
- High grade lithium intersected over wide widths at Authier, 24 Oct, 2016
- Drilling intersects thick zone of mineralisation in the gap zone, 25 Oct 2016
- Authier Lithium Project JORC Significantly Expanded, 23 November, 2016.
- Drilling Results demonstrate potential to Expand JORC, 17 November, 2016

Copies of these reports are available to view on the Sayona Mining Limited website www.sayonamining.com.au. These reports were issued in accordance with the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sayona Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Sayona Mining Limited's financial position as at 31 December 2016 and its performance for the half-year ended on that date, and complying with Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sayona Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Nexia Brisbane Audit Pty Ltd

Registered Audit Company 299289

Level 28, 10 Eagle Street

Brisbane QLD 4000

GPO Box 1189

Brisbane QLD 4001

p +61 7 3229 2022

f +61 7 3229 3277

e email@nexiabrisbane.com.au

w nexia.com.au

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

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

- (i) giving a true and fair view of Sayona Mining Limited's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Nigel Bamford

N D Bamford
Director

Level 28, 10 Eagle Street,
Brisbane, QLD, 4000

Date: 15 March 2017