

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

FINANCIAL REPORT FOR THE HALF - YEAR ENDED 31 DECEMBER 2017

The information contained in this report is to be read in conjunction with the Company's 2017 Annual Report and any announcements made to the market during the half-year ended 31 December 2017.

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
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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 2017.

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 \$1,172,140 (2016: \$1,151,089).

Authier Lithium Project, Canada

The Company's primary focus during the half-year has been on completing the studies required to commence the development of the 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.

Memorandum of Understanding Signed for Authier Off-Take and Downstream Value Adding Opportunities

During the period, the Company signed a non-binding Memorandum of Understanding ("MOU") with leading China based battery manufacturer, Huan Changyuan Lico Co Ltd ("Changyuan").

Changyuan, a subsidiary of the Fortune 500 Company, China Minmetals Group, is a battery research, development, and production company. In 2016, the company produced more than 16,000 tonnes of battery cathode materials and is expanding its production capacity to 36,000 tonnes in 2018. The main products produced include, lithium cobalt oxide and lithium manganese oxide batteries, and ternary composite lithium-ion cathode materials.

The MOU paves the way for advancing discussions to facilitate a development alliance exploring marketing, technical and financial opportunities for the Authier project, including:

- Changyuan purchasing up to 100,000 tonnes of spodumene concentrate per annum;
- Development partnerships for the value-adding of the concentrates into lithium carbonate and/or lithium hydroxide in either China or Canada; and
- Funding and investment opportunities for Sayona and the Authier project.

Based on the results of the new information, a new Proven and Probable Ore Reserve estimate of 11.66Mt @ 1.03% Li₂O at a 0.45% Li₂O cut-off grade (Table1) has been defined.

Table 2- Authier JORC Ore Reserve Estimate (0.45% Li ₂ O cut-off grade)			
Category	Tonnes (Mt)	Grades (%Li ₂ O)	Contained Li ₂ O
Proven Reserve	5.59	0.99	55,341
Probable Reserve	6.07	1.06	64,363
Total Reserves	11.66	1.03	120,098
Note: The Ore Reserve estimate is based on the details published in a separate ASX release "Authier JORC Ore Reserve", 11 December 2017. The Ore Reserve Estimate is inclusive of 2% dilution and 5% ore loss			

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JORC Mineral Resources Upgrade

In June 2017, the Company reported a JORC 2012 compliant Mineral Resource following the Phase 2 drilling program. During the current period, the Mineral Resource was updated to include the Northern Pegmatite which was not previously incorporated in the Mineral Resource. In addition, the Authier Main pegmatite has been increased due to refinement of the lithium solids model for the main pegmatite. The Authier deposit has 20,183 metres of diamond drilling in 150 holes.

Table 1 – Authier JORC Mineral Resources Estimate (0.45% Li₂O cut-off grade)

Category	Tonnes (Mt)	Grades %Li ₂ O	Contained Li ₂ O
Measured	5.86	1.01%	59,186
Indicated	10.19	1.03%	104,957
Inferred	2.30	0.99%	22,810
Total	18.35	1.02%	186,953

Authier Optimised Pre-Feasibility Study

During the period, the Company completed the Optimised Pre-Feasibility Study (“PFS”). The PFS incorporates the new expanded JORC Mineral Resource, results from a number of technical optimisation programs, and realignment of pricing to reflect a concentrate grade of 6% Li₂O and more recent industry forecasts. The PFS confirms the technical and financial viability of constructing a simple, low-strip ratio, open-cut mining operation and processing facility producing spodumene concentrate. The positive PFS demonstrates the opportunity to create substantial long-term sustainable shareholder value at a low capital cost.

Key findings of the PFS, include:

- Pre-tax NPV₈ of C\$221 million and IRR 56% (real terms at 8% discount rate);
- Annual average concentrate production of 96,000 tonnes at 6% Li₂O;
- Average annual revenue of C\$73 million and EBITDA of C\$35 million;
- Mine gate cash costs of C\$370/t and FOB Port cash costs of C\$430/t (US\$327/t); and
- Initial capital expenditure of C\$64 million and C\$110 million over the life-of-mine.

Authier Definitive Feasibility Study

The Company has awarded the main components of Authier Definitive Feasibility Study (“DFS”) including, the mining, processing and infrastructure to BBA.

BBA is an independent Canadian consulting engineering firm operating internationally. Its team is composed of highly-qualified experts in several engineering disciplines including electrical, civil, mechanical, industrial data processing, mining, metallurgical processes, automation, and construction management. BBA have extensive experience in the Canadian mining industry and have been actively involved in Feasibility Studies for Quebec lithium projects.

A number of other DFS work programs including geotechnical, transport and environmental have been outsourced to specialist contractors are underway.

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Western Australian Projects

Exploration tenure in Western Australia includes leases covering some 1780km² in the world class Pilgangoora lithium district. The 141km² Mallina project, E47/2983, has been the main focus of work during 2017 and three new zones of spodumene pegmatite have been identified, including the recent Area C prospect discovery. A potential for gold mineralisation has also been recognised at the Deep Well and Friendly Creek areas.

Mallina Project

Exploration at Mallina continued within a 6x3 kilometre zone where three groups of spodumene pegmatites have been identified to date. Work was focussed at the Area C prospect where spodumene pegmatites were identified. Additional rock sampling has confirmed the presence of strong lithium mineralisation, with a maximum 4.27% Li₂O returned in pegmatite with visual spodumene. Soil sampling (354 samples) returned a strong, coherent lithium anomaly as well as defining unexplained lithium anomalies in the more regional sampling.

Regional Lithium Projects

During the period, reconnaissance was made at the West Wodgina tenement, E45/4726. Twenty-one rock samples were collected of granite and pegmatite to identify fractionation trends and help define the general prospectivity of the area. Results include elevated lithium and tin, indicating several areas for follow up sampling in the 2018 field season.

Great Sandy Option

During the period, the Company made the first stage option payment to Great Sandy Pty Ltd ("Great Sandy") to acquire a 694 km² package of 6 tenements in the world-class Pilgangoora lithium district of Western Australia.

The Great Sandy purchase terms include an option 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 (current payment) within 12 months and \$300,000 within 24 months and free carrying Grant Sandy to Decision to Mine. At the Decision to Mine, Great Sandy can either elect to dilute or contribute to ongoing expenditure commitments or convert the 20% interest to a 2% gross smelter royalty.

Corporate

During the period, the Company completed a pro rata renounceable rights issue, comprising an offer on the basis of one (1) new share for every two (2) existing shares held at an issue price of 1 cent (\$0.01) per share. Under the Rights Issue, 487,410,061 new shares were issued raising \$4,874,101 before the costs of the offer. The Company also issued 12,817,114 shares (value \$440,000) and 5,000,000 options (which were exercised) in the period. At balance date, assets totalled \$12,612,949, which included a cash balance of \$3,452,109.

SUBSEQUENT EVENTS

In addition to advancing its Australian and Canadian exploration projects, the following matters or circumstances have arisen since balance date:

On 19 January 2018, the Company entered into an agreement for the staged acquisition of the Tansim lithium exploration project in Quebec, Canada.

The agreement provides for the Group to acquire an initial 50% interest in the property through the expenditure of CAD\$105k for claim renewal costs of the property. This expenditure amount is reduced by exploration expenditure completed on the property prior to 31 January 2018 (up to

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CAD\$65k). The Group can then earn a 100% interest in the property by completing the following milestones:

- Investing CAD\$200k in exploration and pay CAD\$100k in cash to Matamec Explorations Inc within the first 12 months; and
- Investing CAD\$350k in exploration and pay CAD\$250k in cash to Matamec Explorations Inc within 12 and 24 months of signing.

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
16 March 2018



Paul A. Crawford
Director

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017 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: 16 March 2018

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half-year ended 31 December 2017**

		Consolidated Group	
		31 December 2017	31 December 2016
	Note	\$	\$
Revenue and other income	2	25,740	5,960
Administrative expenses		(622,234)	(555,146)
Current period exploration & evaluation expenditure written-off	2	(85,170)	(261,790)
Employee benefit expense		(459,609)	(254,789)
Occupancy expenses		(30,867)	(20,593)
Net loss on financial asset at fair value through profit and loss		-	(64,731)
Loss before income tax		(1,172,140)	(1,151,089)
Income tax expense		-	-
Loss for the period		(1,172,140)	(1,151,089)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss		122,793	-
Total comprehensive income for the half year		122,793	-
Total comprehensive loss attributable to members		(1,049,347)	(1,151,089)
Earnings per Share			
From continuing operations			
Basic earnings per share (cents per share)	9	(0.11)	(0.18)
Diluted earnings per share (cents per share)	9	(0.11)	(0.18)
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 2017**

		Consolidated Group	
		31 December	30 June
		2017	2017
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,452,109	1,216,054
Trade and other receivables		101,010	321,259
Other assets	3	239,528	42,264
Total Current Assets		3,792,647	1,579,577
NON-CURRENT ASSETS			
Property, plant and equipment		6,670	7,297
Exploration and evaluation asset	4	9,400,002	7,824,161
Total Non-Current Assets		9,406,672	7,831,458
TOTAL ASSETS		13,199,319	9,411,035
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	5	539,572	502,821
Provisions		46,798	46,271
Total Current Liabilities		586,370	549,092
TOTAL LIABILITIES		586,370	549,092
NET ASSETS		12,612,949	8,861,943
EQUITY			
Issued capital	6	67,943,090	63,165,259
Reserves		19,563	(125,752)
Accumulated losses		(55,349,704)	(54,177,564)
TOTAL EQUITY		12,612,949	8,861,943

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 2017**

Consolidated Group	Note	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
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		7,097,243	-	-	-	7,097,243
Transaction costs		(517,091)	-	-	-	(517,091)
Share based payments/transactions		125,000	-	-	5,000	130,000
Balance at 31 December 2016		59,650,847	(52,910,074)	-	151,959	6,892,732
Balance at 1 July 2017		63,165,259	(54,177,564)	(125,752)	-	8,861,943
Loss for the period		-	(1,172,140)	-	-	(1,172,140)
Other comprehensive income		-	-	122,793	-	122,793
Total comprehensive income (loss) for the period		-	(1,172,140)	122,793	-	(1,049,347)
Transactions with owners in their capacity as owners						
Shares issued during the period	6	5,074,101	-	-	-	5,074,101
Transaction costs	6	(536,270)	-	-	-	(536,270)
Share based payments/transactions	6	240,000	-	-	22,522	262,522
Total transactions with owners		4,777,831	-	-	22,522	4,800,353
Balance at 31 December 2017		67,943,090	(55,349,704)	(2,959)	22,522	12,612,949

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 2017**

	Consolidated Group	
	31 December 2017	31 December 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,105,864)	(937,242)
Interest received	13,240	5,960
Sale of geological information	12,500	-
Net cash provided by (used in) operating activities	(1,080,124)	(931,282)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,339)	(4,471)
Capitalised exploration expenditure	(1,219,126)	(5,364,147)
Net cash provided by (used in) investing activities	(1,221,465)	(5,368,618)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	5,074,101	7,097,243
Share application funds held pending issue of shares	-	1,309,810
Costs associated with shares & option issues	(536,270)	(512,091)
Net cash provided by (used in) financing activities	4,537,831	7,894,962
Net increase/(decrease) in cash held	2,236,242	1,595,062
Cash at 1 July	1,216,054	62,603
Effect of exchange rates on cash holdings in foreign currencies	(187)	-
Cash at 31 December	3,452,109	1,657,665

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 2017**

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 2017 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 2017, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 16 March 2018.

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
Sale of geological information

Expenses

Exploration expenditure expensed during period
Loss on financial asset held for trading
Foreign exchange loss
Depreciation

Half year ended 31 Dec 2017	Half year ended 31 Dec 2016
\$	\$

13,240	5,960
12,500	-
25,740	5,960

85,170	261,790
-	64,731
11,039	10,197
2,966	2,155

NOTE 3: OTHER ASSETS

Current:

Prepayments

31 December 2017	30 June 2017
\$	\$

239,528	42,264
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**Notes to the Financial Statements
for the half year-ended 31 December 2017**

NOTE 4: EXPLORATION AND EVALUATION ASSET	31 December 2017	30 June 2017
	\$	\$
Exploration and evaluation expenditure carried forward in respect of areas of interest are:		
Exploration and evaluation phase - company interest 100%	8,899,279	7,697,147
Exploration and evaluation phase - subject to joint operation	500,723	127,014
	9,400,002	7,824,161
(a) Movement in exploration and evaluation expenditure:	Non-Joint Operation	
Opening balance - at cost	7,697,147	1,362,774
Capitalised exploration expenditure	1,202,132	6,334,373
Carrying amount at 31 December 2017	8,899,279	7,697,147
(b) Movement in exploration and evaluation expenditure:	Subject to Joint Operation	
Opening balance - at cost	127,014	75,962
Capitalised exploration & evaluation expenditure	373,709	51,052
Carrying amount at 31 December 2017	500,723	127,014

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 period on exploration & evaluation assets included \$1,158,789 on the Authier Lithium project in Canada. A further \$417,052 has been expended on Australian projects, including payment of \$300,000 on exercise of the option to acquire an interest in the Mallina project tenements.

Commitments in respect of exploration projects are set out in note 7. In addition, the Group has options for an interest in projects as set out below:

Sayona Lithium Pty Ltd

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

The agreement 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 with a further 3 year option to acquire the remaining 20% for \$100,000.

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

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

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

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**Notes to the Financial Statements
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NOTE 4: EXPLORATION AND EVALUATION ASSET (CONT)

On 19 December 2017, the Group exercised its option and made the initial \$300,000 payment under the agreement. Of this, \$80,000 was settled through the issue of 1,869,159 ordinary shares.

Sayona Quebec Inc.

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

The Group held no interest in the project at 31 December 2017.

NOTE 5: TRADE AND OTHER PAYABLES

	31 December 2017	30 June 2017
	\$	\$
Current:		
Trade creditors	287,524	272,242
Sundry creditors and accrued expenses	252,048	230,579
Total trade & other payables (unsecured)	539,572	502,821

NOTE 6: ISSUED CAPITAL

	31 December 2017	30 June 2017
	\$	\$
1,475,023,761 (30 June: 974,796,586) fully paid ordinary shares	67,943,090	63,165,259

	Half year ended 31 Dec 2017	Half year ended 31 Dec 2016
	No.	No.
(a) Ordinary shares		
Balance at the beginning of the reporting period	974,796,586	537,239,846
Shares issued during the period:		437,556,740
10 November 2017, new issue of shares at \$0.01 per share following a rights issue.	487,410,061	-
16 November 2017, new issue of shares at \$0.0269 per share in settlement of services.	5,947,955	-
28 December 2017, new issue of shares at \$0.0428 per share in part settlement of tenement acquisition.	1,869,159	-
29 December 2017, new issue of shares at \$0.035 per share following the exercise of options.	2,500,000	-
29 December 2017, new issue of shares at \$0.045 per share following the exercise of options.	2,500,000	-
Balance at reporting date	1,475,023,761	974,796,586

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**Notes to the Financial Statements
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NOTE 6: ISSUED CAPITAL (CONT)

	Half year ended 31 Dec 2017	Half year ended 31 Dec 2016
	No.	No.
(b) Options on issue are as follows:		
(i) Unlisted employee and officer options		
Balance at beginning of reporting period	-	30,500,000
Granted during the period*	5,000,000	-
Exercised during the period*	(5,000,000)	(13,500,000)
Expired during the period	-	(17,000,000)
Balance at reporting date	-	-
* Refer note 13		
(ii) Listed options		
Balance at beginning of reporting period	-	99,399,814
Granted during the period	-	136,372,298
Exercised during the period	-	(43,764,995)
Expired during the period	-	(192,007,117)
Balance at reporting date	-	-

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 2017	30 June 2017
	\$	\$
Not later than 1 year	609,315	300,632
Between 1 year and 5 years	1,389,074	-
Total commitment	1,998,389	300,632

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 2017.

During the previous 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. No services have been provided through this entity during the current period.

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for the half year-ended 31 December 2017**

NOTE 9: EARNINGS PER SHARE

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

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

	Half year ended 31 Dec 2017 No.	Half year ended 31 Dec 2016 No.
	1,111,456,393	639,580,938
	-	-
	1,111,456,393	639,580,938

NOTE 10: DIVIDENDS

No dividends were declared or paid during the period.

NOTE 11: CONTINGENT LIABILITIES

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

NOTE 12: EVENTS AFTER THE END OF THE INTERIM PERIOD

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

- (i) On 19 January 2018, the Company entered into an agreement for the staged acquisition of the Tansim lithium exploration project in Quebec, Canada.

The agreement provides for the Group to acquire an initial 50% interest in the property through the expenditure of CAD\$105k for claim renewal costs of the property. This expenditure amount is reduced by exploration expenditure completed on the property prior to 31 January 2018 (up to CAD\$65k). The Group can then earn a 100% interest in the property by completing the following milestones:

- Investing CAD\$200k in exploration and pay CAD\$100k in cash to Matamec Explorations Inc within the first 12 months; and
- Investing CAD\$350k in exploration and pay CAD\$250k in cash to Matamec Explorations Inc within 12 and 24 months of signing.

- (ii) The Group continues to advance its Australian and Canadian exploration projects, including commercial opportunities and funding arrangements.

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**Notes to the Financial Statements
for the half-year ended 31 December 2017**

NOTE 13: SHARE BASED PAYMENTS

On 16 November 2017, a total of 5,000,000 options were granted (value \$22,522) under the Company's Employees and Officers Share Option Plan. 2,500,000 options are exercisable at \$0.035 each and 2,500,000 options are exercisable at \$0.045 each. All options expire on 30 June 2019. The options were exercised in December and raised \$200,000 in capital.

On 16 November 2017, the Company issued 5,947,955 shares (value \$160,000) to Vingo Inc in settlement of commercial services provided.

On 28 December 2017, the Company issued 1,869,159 shares (value \$80,000) as part settlement of the acquisition of the Great Sandy tenements (refer note 4).

NOTE 14: 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	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
REVENUE						
Revenue	25,430	5,960	310	-	25,740	5,960
Total segment revenue	25,430	5,960	310	-	25,740	5,960
RESULT						
Loss from ordinary activities before income tax expense	(1,163,366)	(1,151,089)	(8,774)	-	(1,172,140)	(1,151,089)
ASSETS						
Segment assets	5,350,609	2,780,151	7,848,710	6,630,884	13,199,319	9,411,035
LIABILITIES						
Segment liabilities	363,835	517,790	222,535	31,302	586,370	549,092

Segment accounting policies are consistent with the economic entity.

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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 2017 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: 16th day of March 2018

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 2017, 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 2017 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.

**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 2017 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****N D Bamford**

Director

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

Date: 16 March 2018