SAYONA MINING LIMITED

# ASX ANNOUNCEMENT

ASX: **SYA**

**28 February 2020**

## Half Year Financial Report 31 December 2019

Attached is the audited financial report of the Company for the half year ended 31 December 2019.

For more information, please contact:

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Company Secretary
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**About Sayona Mining**

Sayona Mining Limited is an Australian, ASX-listed (SYA) company focused on sourcing and developing the raw materials required to construct lithium-ion batteries for use in the rapidly growing new and green technology sectors. The Company has lithium projects in Québec, Canada and in Western Australia.

Please visit us as at www.sayonamining.com.au

# SAYONA MINING LIMITED
# AND CONTROLLED ENTITIES

**ABN 26 091 951 978**

## FINANCIAL REPORT
## FOR THE HALF YEAR ENDED
## 31 DECEMBER 2019

The information contained in this report is to be read in conjunction with the Company's 2019 Annual Report and any announcements made to the market during the half year ended 31 December 2019.

# DIRECTORS' REPORT

Your Directors present their report of the Company and its controlled entities for the half-year ended 31 December 2019.

## 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.

| | | |
|---|---|---|
| Brett Lynch | Alan Buckler | Dennis O'Neill |
| Paul Crawford | James Brown | |

## REVIEW OF OPERATIONS

The loss of the consolidated group after providing for income tax for the half year was $1,372,004 (2018: $1,149,203).

### AUTHIER LITHIUM PROJECT, CANADA

The Company's primary focus is the development of the advanced stage Authier Lithium Project in Québec, Canada. The Authier Lithium Project is a hard-rock, spodumene lithium deposit. Having undergone 31,000m of drilling across 176 holes, the ore deposit is well understood. The deposit is host to a total mineral resource of 21Mt Li2O @1.01% with 211,000t total contained Li2O.

A revised DFS announced in November 2019 showed a higher NPV compared to the previous study of C$216m compared to C$184.8m based on an initial 13.8-year mine life, with ore feed of 875,000 tpa, extracting 114,000 tpa of Li2O concentrate.

The pre-tax IRR is estimated at 33.9% and payback on capital is 2.7 years. LOM cash operating costs are estimated at C$400 per tonne (mine gate basis) or C$469 per tonne FOB Port of Montreal, based on development capital expenditure of C$120 million.

**Permitting Process**

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% $Li_2O$).

In parallel with the DFS, Sayona has been progressing a revised Environment Impact Study (EIS) in accordance with BAPE requirements. This entailed further community engagement including the establishment of a project monitoring committee comprised of key stakeholders.

The revised EIS was submitted to Québec's Ministry of the Environment and the Fight against Climate Change (MELCC) on 22 January 2020, subsequent to period end. Recommendation for project approval under the BAPE is expected late 2020.

**Community Consultation**

Sayona continues to engage closely with all stakeholders, including holding information sessions and consultations with 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 entered into 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 development of the project.

### Tansim Exploration Project

Tansim is situated 82 kilometres south-west of the Authier project in Quebec. It comprises 65 mineral claims of approximately 12,000 hectares, and is prospective for lithium, tantalum and beryllium.

Adding to its flagship Authier project, the emerging Viau-Dallaire prospect also offers the potential to become a new lithium deposit. An exploration target announced in November 2019 estimated a range of 5-25Mt, at a grade range 1.2-1.3% $Li_2O$, with the mineralisation open in all directions.

### North American Lithium Mine & Plant

In September 2019, Sayona announced its intention to participate in the bidding process for the North American Lithium (NAL) operation in Québec. NAL has a lithium mine and concentrator located in Abitibi. Spodumene production was halted in February 2019 and in September 2019, the Québec Superior Court invited bids for the assets.

The Company has a unique advantage in potentially blending ore from Authier with NAL to secure a significant improvement in NAL plant performance and economics. A successful bid would support plans to create a lithium hub with a single concentrator for multiple mines, producing a concentrate suitable for conversion to chemicals used in battery production, as sought by the Québec Government.

On 21 February 2020, subsequent to period end, the Company lodged its bid proposal to the Court-Appointed Monitor.

## WESTERN AUSTRALIAN PROJECTS

Sayona's leases in Western Australia cover 1,849 sq km and comprise lithium tenure in the Pilbara and Yilgarn areas and graphite tenements in the East Kimberley. The Pilbara regional project covers 1,679 sq km and is centred in the world class Pilgangoora lithium district. The Company is exploring this area for hard rock spodumene mineralisation, associated with fractionated albite – spodumene pegmatite systems.

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.

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

## CORPORATE

In July 2019, Sayona announced the appointment of experienced international mining executive Brett Lynch as the Company's new Managing Director/CEO. With a strong background in mining and mining-related businesses across Australia, Asia and North America, Mr Lynch has a proven track record in advancing shareholder value through converting opportunities to outcomes.

In August 2019, Sayona completed a Share Purchase Plan and separate placement to Directors, management and a major shareholder, securing AUD$1.9 million to advance the Company's projects, following the issue of 220 million shares, with a further 110 million options expiring in July 2022.

In October 2019, the Company announced that it had entered into a Controlled Placement Agreement (CPA) with Acuity Capital. The CPA provides Sayona with up to $3 million of standby equity capital over the period to 31 January 2022. As collateral for the Agreement, the Company issued 95 million shares for $nil.

Other share issues in the period totalled 31 million shares, issued as employee incentives and for the First Nations agreement in relation to the Authier project. In addition, a total of 118 million options were issued in the period.

The ability of the Group to 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 funds 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, 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.

Subsequent to the end of the reporting period, the Company entered into a Convertible Note facility with Obsidian Global GP LLC which provided an additional $2.75m in working capital. The Group plans to raise further funds, however, no final arrangements are currently in place.

## SUBSEQUENT EVENTS

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

- 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 $0.099 per share; and
- On 17 February 2020, the Company granted 4,869,141 options to Jett Capital Advisors Holdings LLC, for services rendered in relation to establishing the convertible note facility.

## 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.

**Brett L. Lynch**
**Managing Director**

**Paul A. Crawford**
**Director**

Brisbane
28 February 2020

**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 2019 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

**Nexia Brisbane Audit Pty Ltd**

Nigel Bamford

**N D Bamford**
Director

Date: 28 February 2020

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | | Consolidated Group | |
|---|---|---|---|
| | | **31 December 2019** | **31 December 2018** |
| | **Note** | **$** | **$** |
| Revenue and other income | 2 | 9,472 | 90,329 |
| Administrative expenses | | (637,627) | (621,602) |
| Current period exploration & evaluation expenditure written-off | 2 | (69,090) | (56,752) |
| Employee benefit expense | | (674,759) | (513,774) |
| Occupancy expenses | | - | (47,404) |
| **Loss before income tax** | | (1,372,004) | (1,149,203) |
| Income tax expense | | - | - |
| **Loss for the period** | | (1,372,004) | (1,149,203) |
| **Other comprehensive income:** | | | |
| Items that will not be reclassified subsequently to profit or loss | | 118,381 | (32,797) |
| **Total comprehensive income for the half year** | | 118,381 | (32,797) |
| **Total comprehensive loss attributable to members** | | (1,253,623) | (1,182,000) |
| **Earnings per Share** | | | |
| **From continuing operations** | | | |
| Basic earnings per share (cents per share) | 9 | (0.07) | (0.07) |
| Diluted earnings per share (cents per share) | 9 | (0.07) | (0.07) |
| Dividends per share (cents per share) | | - | - |

The accompanying notes form part of these financial statements.

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | Note | Consolidated Group 31 December 2019 $ | 30 June 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 407,265 | 1,822,133 |
| Trade and other receivables | | 367,127 | 272,933 |
| Other assets | 3 | 99,105 | 91,775 |
| **Total Current Assets** | | 873,497 | 2,186,841 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | 152,664 | 144,083 |
| Exploration and evaluation asset | 4 | 22,340,602 | 19,877,399 |
| Right of Use Asset | 15 | 104,784 | - |
| **Total Non-Current Assets** | | 22,598,050 | 20,021,482 |
| **TOTAL ASSETS** | | 23,471,547 | 22,208,323 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 5 | 1,222,588 | 945,906 |
| Provisions | | 23,150 | 38,846 |
| Lease Liabilities | 15 | 33,708 | |
| **Total Current Liabilities** | | 1,279,446 | 984,752 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease Liabilities | 15 | 72,954 | - |
| **Total Non-Current Liabilities** | | 72,954 | - |
| **TOTAL LIABILITIES** | | 1,352,400 | 984,752 |
| **NET ASSETS** | | 22,119,147 | 21,223,571 |
| **EQUITY** | | | |
| Issued capital | 6 | 81,434,121 | 79,309,022 |
| Reserves | | 766,186 | 623,705 |
| Accumulated losses | | (60,081,160) | (58,709,156) |
| **TOTAL EQUITY** | | 22,119,147 | 21,223,571 |

The accompanying notes form part of these financial statements.

**SAYONA MINING LIMITED**
**AND CONTROLLED ENTITIES**
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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| Consolidated Group | Note | Issued Capital | Accumulated Losses | Foreign Currency Translation Reserve | Option Reserve | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at 1 July 2018** | | 79,183,501 | (56,483,505) | (19,274) | - | 22,680,722 |
| Loss for the period | | - | (1,149,203) | - | - | (1,149,203) |
| Other comprehensive income for the period | | - | - | (32,797) | - | (32,797) |
| Total comprehensive income/(loss) for the period | | - | (1,149,203) | (32,797) | - | (1,182,000) |
| **Transactions with owners in their capacity as owners and other transfers** | | | | | | |
| Shares issued during the period | | 16 | - | - | - | 16 |
| Transaction costs | | (38,928) | - | - | - | (38,928) |
| Share based payments/transactions | | 12,500 | - | - | - | 12,500 |
| Total transactions with owners | | (26,412) | - | - | - | (26,412) |
| **Balance at 31 December 2018** | | 79,157,089 | (57,632,708) | (52,071) | - | 21,472,310 |
| **Balance at 1 July 2019** | | 79,309,022 | (58,709,156) | 623,705 | - | 21,223,571 |
| Loss for the period | | - | (1,372,004) | - | - | (1,372,004) |
| Other comprehensive income/(loss) | | - | - | 118,381 | - | 118,381 |
| Total comprehensive income/(loss) for the period | | - | (1,372,004) | 118,381 | - | (1,253,623) |
| **Transactions with owners in their capacity as owners and other transfers** | | | | | | |
| Shares issued during the period | 6 | 1,934,119 | - | - | - | 1,934,119 |
| Transaction costs | 6 | - | - | - | - | - |
| Share based payments/transactions | 6 | 275,000 | - | - | 24,100 | 299,100 |
| Total transactions with owners | | 2,209,119 | - | - | 24,100 | 2,233,219 |
| **Balance at 31 December 2019** | | 81,518,141 | (60,081,160) | 742,086 | 24,100 | 22,203,167 |

The accompanying notes form part of these financial statements.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Consolidated Group | |
|---|---|---|
| | **31 December 2019** | **31 December 2018** |
| | **$** | **$** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Payments to suppliers and employees | (1,135,872) | (1,791,132) |
| Interest received | 9,472 | 82,969 |
| Insurance refunds | - | 7,360 |
| Finance Costs | (2,626) | |
| **Net cash provided by (used in) operating activities** | (1,129,026) | (1,700,803) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (16,532) | (67,130) |
| Capitalised exploration expenditure | (2,059,958) | (3,973,715) |
| **Net cash provided by (used in) investing activities** | (2,076,490) | (4,040,845) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of shares | 1,894,119 | 16 |
| Costs associated with shares & option issues | (84,020) | (38,928) |
| Repayments of right of use asset lease liabilities | (19,800) | - |
| **Net cash provided by (used in) financing activities** | 1,790,299 | (38,912) |
| **Net increase/(decrease) in cash held** | (1,415,217) | (5,780,560) |
| **Cash at 1 July** | 1,822,133 | 10,275,738 |
| Effect of exchange rates on cash holdings in foreign currencies | 349 | 586 |
| **Cash at 31 December** | 407,265 | 4,495,764 |

The accompanying notes form part of these financial statements.

## 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 2019 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 2019, together with any public announcements made during the following half year.

These interim financial statements were authorised for issue on the date of signing the Director's Declaration.

### Accounting Policies

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

### New Accounting Standards Adopted

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:
- AASB 16: Leases

The impact of the adoption of this Standard and the respective accounting policies is disclosed in below and in Note 15.

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.
As a result of the changes in the Group's accounting policies, prior year financial statements have not been restated.

The Group as lessee

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 are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses 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 the 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.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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;
–lease payments under extension options, if the 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 termin the lease.
The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and 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.

Initial Application of AASB 16: Leases
The Group has adopted AASB 16: Leases with no retrospective effect at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018 reporting period have not been restated.
The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee.
Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.
The right-of-use assets have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid 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 was as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.
The Group’s weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 4.5%.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial Position, 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 31 December 2019, the Group had $1,472,474 of exploration commitements due within 1 year, in addition to other ongoing corporate and operational expenditure.

The current asset deficiency of the Group at balance date was $405,499.

The ability of the Group to 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 funds 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, 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.

Subsequent to the end of the reporting period, the Company entered into a Convertible Note facility with Obsidian Global GP LLC which provided an additional $2.75m in working capital. In addition to these initiatives the Group plans to raise further funds, however, no final arrangements are currently in place. The Group has also entered into a Collateral Placement Agreement which enables the Group to access standby equity capital of up to $3m over the period to January 2022.

The Directors have concluded that in the current circumstances, there exists a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. Nevertheless, after taking into account the various funding options available the Directors have a reasonable expectation that the Group will have adequate resources to fund its future operational requirements and for these reasons they continue to adopt the going concern basis in preparing the financial report.

| NOTE 2: RESULT FOR THE PERIOD | Half Year Ended 31 Dec 2019 | Half Year Ended 31 Dec 2018 |
|---|---|---|
| | $ | $ |
| The following revenue and expense items are relevant in explaining the financial performance for the interim period: | | |
| **Revenue** | | |
| Interest received from unrelated parties | 9,472 | 82,969 |
| Insurance refunds | - | 7,360 |
| | 9,472 | 90,329 |
| **Expenses** | | |
| Exploration expenditure expensed during period | 69,090 | 56,752 |
| Foreign exchange loss | (134) | 1,141 |
| Depreciation | 7,649 | 1,983 |
| Amortisation on right of use assets | 19,052 | - |
| Finance costs on lease liabilities | 2,626 | - |

## NOTE 3: OTHER ASSETS

| | 31 December 2019 | 30 June 2019 |
|---|---|---|
| | $ | $ |
| **Current:** | | |
| Deposits | - | 2,281 |
| Prepayments | 99,105 | 89,494 |
| | 99,105 | 91,775 |

## NOTE 4: EXPLORATION AND EVALUATION ASSET

| | 31 December 2019 | 30 June 2019 |
|---|---|---|
| | $ | $ |
| Exploration and evaluation expenditure carried forward in respect | | |
| Exploration and evaluation phase - company interest 100% | 21,462,273 | 19,111,142 |
| Exploration and evaluation phase - subject to joint operation | 878,329 | 766,257 |
| | 22,340,602 | 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 expenditure | 2,222,862 | 4,609,557 |
| Transfer from joint operations | - | 1,096,431 |
| Foreign Currency translation movement | 128,269 | 692,604 |
| Carrying amount at 31 December 2019 | 21,462,273 | 19,111,142 |

| **(b) Movement in exploration and evaluation expenditure:** | **Subject to Joint Operation** | |
|---|---|---|
| Opening balance - at cost | 766,257 | 606,637 |
| Capitalised exploration & evaluation expenditure | 112,097 | 1,237,873 |
| Transfer to joint operations | - | (1,096,431) |
| Foreign Currency translation movement | (25) | 18,178 |
| Carrying amount at 31 December 2019 | 878,329 | 766,257 |

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.

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.

During the period (8 September 2019), 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 Group's Australian tenements. At this point in time, Altura has commenced operations but the Heads of Agreement is yet to be finalised. Consequently, the Group is to be reimbursed for costs it has paid during the period but these costs are not yet considered receivable and have not been classified as such in the financial statements.

## NOTE 4: EXPLORATION AND EVALUATION ASSET (continued)

On 20th November 2019, the Group announced it is planning to be part of a consortium to acquire and operate a lithium processing plant in Canada previously owned by North American Lithium. To date, the Group has not entered into commitments for the acquisitions and the cost of acquisition are not yet known. The bid was lodged on 21 February 2020.

As reported in the 30 June 2019 financial statements, the Group also has projects currently subject to joint operations.

## NOTE 5: TRADE AND OTHER PAYABLES

| | 31 December 2019<br>$ | 30 June 2019<br>$ |
|---|---|---|
| **Current:** | | |
| Trade creditors | 871,229 | 710,287 |
| Sundry creditors and accrued expenses | 351,359 | 235,619 |
| Total trade & other payables (unsecured) | 1,222,588 | 945,906 |

## NOTE 6: ISSUED CAPITAL

| | 31 December 2019<br>$ | 30 June 2019<br>$ |
|---|---|---|
| 2,069,320,725 (30 June: 1,722,574,344) fully paid ordinary shares | 81,434,121 | 79,309,022 |

| (a) **Ordinary shares** | **Half Year Ended 31 Dec 2019**<br>**No.** | **Half Year Ended 31 Dec 2018**<br>**No.** |
|---|---|---|
| Balance at the beginning of the reporting period | 1,722,574,344 | 1,715,532,065 |
| Shares issued during the period: | | 7,042,279 |
| 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 | |
| Balance at reporting date | 2,069,320,725 | 1,722,574,344 |

## NOTE 6: ISSUED CAPITAL (continued)

All share issues in the current period were for cash other than:
(i) issue of 2,000,000 shares to each of the Group CEO and Canadian CEO, valued at $40,000 (charged to Profit & Loss).
(ii) issue of 27,500,000 shares to Pikogan native title holders, valued at $275,000 (charged to exploration assets).
(iii) issue of 95,000,000 shares to Acuity Capital, with nil value.

These shares have been issued as collateral for the Controlled Placement Agreement entered into in October 2019. Under the Agreement, the Group has standby equity capital of up to $3m over the period to 31 January 2022. The Group controls all aspects of any such placement under the Agreement. The collateral shares 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.

| | Half Year Ended 31 Dec 2019 | 30 June 2019 |
|---|---|---|
| | No. | No. |
| **(b) Options on issue are as follows:** | | |
| (i) Unlisted employee and officer options | | |
| Balance at beginning of reporting period | - | - |
| Granted during the period | 8,000,000 | - |
| Exercised during the period | - | - |
| Expired during the period | - | - |
| Balance at reporting date | 8,000,000 | - |
| (ii) Listed options | | |
| Balance at beginning of reporting period | 120,242,589 | 120,242,789 |
| Granted during the period | - | - |
| Exercised during the period | - | (200) |
| Expired during the period | - | - |
| Balance at reporting date | 120,242,589 | 120,242,589 |
| (ii) Other Unlisted options | | |
| Balance at beginning of reporting period | - | - |
| Granted during the period | 110,123,160 | - |
| Exercised during the period | - | - |
| Expired during the period | - | - |
| Balance at reporting date | - | - |
| Balance at reporting date | 110,123,160 | - |

## NOTE 6: ISSUED CAPITAL (continued)

Employee incentive options issued in the period were approved at the Group's November 2019 Annual General Meeting with key terms:
- 4,000,000 options expiring 2 years after grant date
- each option to acquire 1 ordinary share at $0.03
- 4,000,000 options expiring 3 years after grant date
- each option to acquire 1 ordinary share at $0.04

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

Unlisted options issued in the period relate to shares subscribed for under the Share Placement Plan, the Management Placement Plan and the Director Placement Plan

One free option was issued for each 2 shares subscribed, each option is exercisable at $0.03 to acquire 1 ordinary share and all options expire in July 2022.
No value is ascribed to unlisted shareholder options for accounting purposes

No value is ascribed to unlisted shareholder options for accounting purposes.
The listed options issued in a prior year are exercisable at $0.078 each and expire in April 2020.

## 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 2019 | 30 June 2019 |
|---|---|---|
| | $ | $ |
| Not later than 1 year | 1,472,474 | 1,521,794 |
| Between 1 year and 5 years | 1,105,871 | 1,105,871 |
| Total commitment | 2,578,345 | 2,627,665 |

## 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. Related parties of the Group are directors and their associates. In the current period related party transactions were consistent with those reported in the 2019 financial statements - involving remuneration and equity interests.

## NOTE 9: EARNINGS PER SHARE

| | Half Year Ended 31 Dec 2019 No. | Half Year Ended 31 Dec 2018 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 | 1,863,505,051 | 1,715,623,038 |
| Weighted average number of ordinary shares and potential ordinary shares outstanding during the period used in the calculation of diluted EPS | 1,863,505,051 | 1,715,623,038 |

## 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

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

- 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 $0.099 per share; and

- On 17 February 2020, the Company granted 4,869,141 options to Jett Capital Advisors Holdings LLC, for services rendered in relation to establishing the convertible note facility.

In addition, as set out in Note 4 the Group has advanced its Earn-In Agreement with Altura Mining, and lodged its bid for the acquisition of North American Lithium.

## NOTE 13: SHARE BASED PAYMENTS

On 20 December 2019, the Company issued 275,000,000 shares (value $275,000) to the Council of the First Nation Abitibiwinni (Pikogan) as part of an agreement for the works during the exploration phase of the Authier Lithium Project.

On 29 November 2019, Mr Brett Lynch (Group Managing Director) and Mr Guy Laliberte (Canadian Chief Executive) were each issued with 2,000,000 shares (value $40,000) and 4,000,000 unlisted options as part of their incentive based packages.

## 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 Half Year Ended 31 December | | Overseas Half Year Ended 31 December | | Consolidated Group Half Year Ended 31 December | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ | $ | $ |
| **REVENUE** | | | | | | |
| Revenue | 4,797 | 88,729 | 4,675 | 1,600 | 9,472 | 90,329 |
| Total segment revenue | 4,797 | 88,729 | 4,675 | 1,600 | 9,472 | 90,329 |
| **RESULT** | | | | | | |
| Loss from ordinary activities before income tax expense | (1,225,701) | (1,030,111) | (146,303) | (119,092) | (1,372,004) | (1,149,203) |
| **ASSETS** | | | | | | |
| Segment assets | 3,834,078 | 7,432,879 | 19,637,469 | 14,988,341 | 23,471,547 | 22,421,220 |
| **LIABILITIES** | | | | | | |
| Segment liabilities | 323,784 | 182,460 | 1,028,616 | 766,450 | 1,352,400 | 948,910 |

## NOTE 15: 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 | **As At 31 December 2019** |
|---|---|
| Leased Building | 123,836 |
| Accumulated Depreciation | (19,052) |
| | 104,784 |
| Movement in carrying amounts: | |
| Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117) | 123,836 |
| Depreciation Expenses for the half year ended | (19,052) |
| Net Carrying Amount | 104,784 |
| | |
| Lease Liability | |
| - Current | 33,708 |
| -Non Current | 72954 |
| | 106,662 |
| | |
| Depreciation charge related to right-of-use assets | 19,052 |
| Interest Expense on Lease Liabilities (under finance costs) | 2,626 |
| Total Half-yearly cash outflows for leases | 19,800 |

## 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 2019 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.

| | |
|---|---|
| **Brett L. Lynch** | **Paul Crawford** |
| **Managing Director** | **Director** |

Dated this: 28th day of February 2020

**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 condensed statement of financial position as at 31 December 2019, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed 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 2018 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, would be in the same terms if given to the directors as at the time of this auditor's review report.

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

## Conclusion

Based on our review, which 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 2019 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.

## Emphasis of matter – material uncertainty relating to going concern

We draw attention to Note 1 in the financial report, which states that the Group's ability to execute its currently planned activities requires the Group to raise additional capital within the next 12 months. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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: 28 February 2020