

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**

ABN 26 091 951 978

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2021**

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (Group) consisting of Sayona Mining Limited and its controlled entities for the financial year to 30 June 2021. The information in the following operating and financial review and the Remuneration Report forms part of this Directors' Report for the financial year ended on 30 June 2021 and is to be read in conjunction with this Directors' Report.

DIRECTORS

The Directors of the Company during or since the end of the financial year are listed below. During the year, there were 15 meetings of the full Board of Directors. The meetings attended by each Director were:

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
B. L. Lynch	15	15
P.A. Crawford	15	15
A. C. Buckler	15	15
J. S. Brown	15	14
D.C. O'Neill *	11	11

Mr O'Neill resigned as a Non-Executive Director on 25 January 2021.

The Company does not have an Audit Committee. The role of the Audit Committee has been assumed by the full Board. The size and nature of the Company's activities does not justify the establishment of a committee at this time.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The names and qualifications of current Directors are summarised as follows:

Brett L. Lynch	Managing Director
Qualifications	Company Director Diploma; Graduate Diploma of Business (Accounting); Bachelor of Engineering (Mining) (Honours).
Experience	Appointed to a Director on 1 July 2019. An experienced International Company Director and CEO with a strong background in mining and mining related businesses across Australia, Asia, USA, Russia and emergent markets. Global executive and leadership experience with a focus on commercial results and owner/shareholder value. International Business Development Manager with proven ability to translate opportunities to outcomes.
Interest in Shares	106,701,619 ordinary shares, 45,159,884 listed options and 4,000,000 unlisted options.
Directorships in other listed entities during the 3 years prior to current year	Nil
Paul A Crawford	Director (Executive) & Company Secretary
Qualifications	Bachelor of Business – Accountancy; CPA, Master of Financial Management, Graduate Diploma in Business Law, Graduate Diploma in Company Secretarial Practice.

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

Experience Board member since 2000. 40 years of commercial experience, including various technical and management roles within the minerals, coal and petroleum industries. Principal of his own corporate consultancy firm, providing accounting, corporate governance, business advisory and commercial management services.

Interest in Securities 150,288,108 ordinary shares and 14,949,186 listed options.

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

Allan C Buckler **Director (Non-Executive)**

Qualifications Certificate in Mine Surveying and Mining, First Class Mine Managers Certificate and a Mine Surveyor Certificate issued by the Queensland Government's Department of Mines.

Experience Appointed to the Board on 5 August 2013. Over 35 years' experience in the mining industry and has taken lead roles in the establishment of several leading mining and port operations in both Australia and Indonesia. Significant operations such as PT Adaro Indonesia, PT Indonesia Bulk Terminal and New Hope Coal Australia have been developed under his leadership.

Interest in Securities 118,690,114 ordinary shares.

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

James S Brown **Director (Non-Executive)**

Qualifications Graduate Diploma in Mining from University of Ballarat

Experience Appointed to the Board on 12 August 2013. Over 30 years' experience in the coal mining industry in Australia and Indonesia, including 22 years at New Hope Corporation. He was appointed as Managing Director of Altura in September 2010. His coal development and operations experience includes the New Acland and Jeebropilly mines in South East Queensland, the Adaro and Multi Harapan Utama operations in Indonesia and Blair Athol in the Bowen Basin in Central Queensland.

Interest in Securities 872,094 unlisted options.

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

DIVIDENDS

No dividends were declared or paid during the financial year.

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

SHARE OPTIONS

At the date of this report, the unissued ordinary shares of Sayona Mining Limited under option are as follows:

Grant Date	Expiry Date	Exercise Price	No. under Option
23 August to 29 November 2019	23 July 2022	3.0 cents	70,396,579
29 November 2019	29 November 2021	3.0 cents	4,000,000
29 November 2019	29 November 2022	4.0 cents	4,000,000
29 April to 7 August 2020	29 April 2023	2.0 cents	328,753,198

Options holders do not have any rights to participate in any issue of shares or other interests of the Company or any other entity.

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

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Since the end of the year, an additional 13,200,000 unlisted options were granted over unissued shares and were exercised.

INDEMNIFICATION OF DIRECTORS AND AUDITORS

The consolidated Group has paid insurance premiums to indemnify each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

The Company has not given an indemnity or entered into any agreement to indemnify, or paid or agreed to pay insurance premiums in respect of any person who is or has been an auditor of the Company or a related body corporate during the year and up to the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR INDEPENDENCE

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

Non-Audit Services

There were no non-audit services provided by the Company's auditors in the current or previous financial year.

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT -
OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITY

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

NAL acquisition was completed on 30th August 2021 after obtaining Court Approval from Canada's Superior Court.

There were no other significant changes in these activities during the financial year.

BUSINESS MODEL AND OBJECTIVES

The Company's primary objective is to provide shareholders with satisfactory returns.

This is to be achieved through implementation of the Company's business model of identifying, evaluating and developing its portfolio of exploration and development assets. The integration of NAL with Sayona's flagship Authier Lithium project will transform both operations and create a world-scale Abitibi lithium hub. It will also advance plans for downstream processing in Quebec, taking advantage of its environment and economic advantage including low cost, renewable hydropower, an established mining services industry and proximity to the North American battery market.

In January 2021, Sayona entered into a strategic partnership with Piedmont Lithium Limited to expedite the Company's growth plans in Québec and to enhance access to the US markets and investors.

Under the agreement, Piedmont acquired a 19.9% equity interest in Sayona for approximately US\$7 million. Piedmont also agreed to invest approximately US\$5 million for a 25% stake in Sayona Québec.

Future activity of Sayona Québec, including NAL, will be jointly funded by Sayona 75% and Piedmont 25%.

OPERATING RESULTS

The entity's consolidated operating loss for the financial year after applicable income tax was \$4,379,498 (2020: \$5,403,751). Tenement acquisition, exploration and evaluation expenditure during the year totalled \$4,395,428 (2020:\$3,438,587).

REVIEW OF OPERATIONS

The Company's primary focus during the year has been on completing the studies and seeking the approvals required to commence the development of the Authier lithium project. Authier is a near-term development project and cash-flow generation opportunity. In concert with the Company's primary focus, the Company has sought and been given approval to acquire NAL. The Company believes it will create significant share value-uplift potential for shareholders as these projects advance towards commercial development.

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

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT -
OPERATING AND FINANCIAL REVIEW

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

There are substantial synergies with the Authier project offering opportunities for the integration of both operations enhancing overall operational efficiencies and outputs. The successful bid for NAL (post balance date) now offers the fastest pathway for Sayona to becoming a world-scale producer and achieving the Company's goal of advancing from junior explorer to mid-tier miner and producer.

Authier Lithium Project

Authier is a hard rock spodumene lithium deposit scheduled for development as an open cut mine, producing a 6% spodumene concentrate. Pending regulatory approvals, mining operations could commence as early as 2023. Authier will be used a "feed" source of raw materials to NAL production facility.

A drilling campaign was initiated in 2021 to expand the current ore resource, improve the strip ratio and to accelerate production to enhance its profitability. Some 31 drill holes are planned for a total of approximately 4,500m of diamond drilling. The drilling campaign is also testing for potential repetition of lithium pegmatite in the southern lease sector.

The drilling is being conducted by Les Forages Pikogan, a member of the Algonquin Abitibiwinini community of Pikogan (First Nation Abitibiwinini), with whom Sayona has an exploration agreement. The agreement provides benefits for the Pikogan, both economic and in terms of sustainable development, and is a tangible demonstration of Sayona's commitment to the First Nations community.

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

Sayona received further feedback from Québec's Ministry of the Environment and the Fight Against Climate Change (MELCC) regarding areas such as road access, flora and fauna and air quality, which are normal for a project of this nature. The Company continues to work through questions raised.

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

North American Lithium bid

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

In February 2021, Sayona was requested to re-submit an official bid backed by a world-class advisory team comprising operational, engineering, financial and other necessary expertise, including former NAL management.

On 30 June 2021, the Superior Court of Québec (Commercial Division) granted an approval and vesting order regarding the Group's (75%) joint bid with Piedmont Lithium Inc. (25%) for the acquisition by Sayona Québec Inc. of NAL. Under the Share Purchase Agreement, entered into between Sayona Québec and NAL, at completion of the transaction, Sayona Québec will acquire all the issued and outstanding shares of NAL, which will keep substantially all its assets. The order of the Superior Court of Québec provides that the NAL assets will be free and clear of any encumbrances other than certain specific permitted encumbrances.

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT -
OPERATING AND FINANCIAL REVIEW

On 30 August 2021, the Company completed the acquisition of North American Lithium (NAL). Now that the acquisition of NAL is completed it is expected to fast-track the Group to becoming a world-scale spodumene producer, advancing from junior explorer to mid-tier miner with potentially three operating mines supplying a central concentrator. It would also secure local jobs and investment and support Québec's plans for a clean energy future based on the development of its own battery industry.

Tansim Project

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

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

Tansim, in conjunction with the Authier Project and NAL will enable Sayona to become a world-scale producer with three spodumene mines supplying a central concentrator to feed the North American battery markets.

During the year, Sayona announced the expansion of the project with the application and grant of an additional 215 claims, bringing the project to a total of 355 claims, covering 20,256 ha of prospective lithium ground.

Western Australian Assets

Sayona's leases in Western Australia cover 1,141 sq km and comprise lithium tenure in the Pilbara and Yilgarn areas and graphite tenements in the East Kimberley, together with prospective gold mineralisation. The Pilbara regionals project covers 971 sq km's and is centred in the world-class Pilgangoora lithium district.

In August 2019, Sayona announced an Earn-In agreement with Altura Mining Limited (Altura). During the year, the Company terminated that agreement and resumed responsibility for its Pilbara gold and lithium tenements. Altura had not earned any interest in the tenements during the period up to the termination.

On 2 June 2021, the Company announced that it had established a new Earn-In Agreement with Altura, subject to due diligence. This new agreement covers a number of tenements and will enable the Group to maximise the value of its Western Australia exploration assets.

Under the terms of the new 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.

Sayona will retain 100% of the projects not included in the Earn-in agreement and continues to manage and to invest in those projects as part of the Group's strategy for Western Australian assets.

FINANCIAL POSITION, CONTINUED OPERATIONS AND FUTURE FUNDING

At 30 June 2021, the Company's Statement of Financial Position shows total assets of \$71,721,323 (2020: \$22,190,444), of which \$35,502,596 (2020: \$492,660) was cash, total liabilities of \$3,835,196 (2020: \$1,044,716) and net assets of \$67,886,127 (2020: \$21,145,728).

The financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT -
OPERATING AND FINANCIAL REVIEW

The ability of the Group to execute its currently planned activities requires the Group to raise additional capital within the next 12 months. Subsequent to year end, the Company raised AUD\$45 million through a placement and a further AUD\$20 million through a Share Purchase Plan which was heavily oversubscribed. The Group has other initiatives in place, to fund the Group's activities.

During the year, Sayona entered into a strategic partnership with Piedmont Lithium Limited to expedite the Company's growth plans in Québec and to enhance access to the US markets and investors. Under the agreement, Piedmont acquired a 19.9% equity interest in Sayona for approximately US\$7 million and a 25% interest in Sayona Québec for US\$5 million. Future activity of Sayona Québec, including NAL, will be jointly funded by Sayona 75% and Piedmont 25%.

During the period the Company was given approval by the Superior Court as the successful bidder for the North American Lithium (NAL) mine in Québec. NAL is considered a near-term growth opportunity, given its proximity to the Company's flagship Authier Lithium Project. Subsequent to year end, the acquisition of NAL was finalized.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes during the year include:

- During the year, the Company entered into a Share Placement Agreement with Battery Metals Capital Group, LLC. The agreement provides for a US\$2 million prepayment of a placement of ordinary shares worth US\$2.18 million. At balance date, Battery Metals had advanced US\$2 million to the Group and new shares to the value of US\$2.18 million had been issued. The facility was terminated in January 2021.
- In January 2021, Sayona announced a strategic partnership with Piedmont to expedite the Company's growth plans in Québec and to enhance access to the US markets and investors.

Under the agreement, Piedmont acquired an initial 9.9% equity interest in Sayona and two unsecured convertible notes, which upon conversion would result in Piedmont being issued a further 10% of Sayona's issued capital for a total consideration of around US\$7 million. Piedmont also agreed to invest approximately US\$5 million for a 25% stake in subsidiary, Sayona Québec.

The convertible notes were exercised on 10 June 2021.

In addition, Piedmont signed a binding offtake arrangement under which it will acquire up to 60,000 tonnes per annum of spodumene concentrate or 50% of Sayona Québec's production, whichever is greater, for Piedmont's planned lithium hydroxide plant in North Carolina, USA.

- On 27 April 2021, the Company issued 638,468,200 new shares, pursuant to a fully underwritten 1 for 6 renounceable entitlement issue to raise up to approximately A\$20.4 million, before costs.
- During the financial year, the Company activated the Controlled Placement Agreement (CPA) with Acuity Capital and subsequently issued a total of 163,700,000 shares to raise \$6,450,000.

On 29 April 2021, the Company increased the current CPA limit of \$3 million to a new limit of \$15 million and extended the expiry date to 31 July 2023. The Agreement, provides the Group with standby equity capital of up to \$15 million over the period to 31 July 2023.

- On 2 June 2021, the Company announced a revised Earn-in Agreement with lithium producer Altura Mining Limited, over a number of Sayona's Western Australian lithium tenements. This

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT -
OPERATING AND FINANCIAL REVIEW

follows the termination of the previous agreement where no interest in the tenements was earned.

- On 30 June 2021, the Superior Court of Québec (Commercial Division) granted an approval and vesting order regarding the Sayona group's (75%) joint bid with Piedmont Lithium Inc. (25%) for the acquisition by Sayona Québec Inc. of NAL.

Under the Share Purchase Agreement, entered into between Sayona Québec and NAL, at completion of the transaction, Sayona Québec will acquire all the issued and outstanding shares of NAL, which will keep substantially all its assets. The order of the Superior Court of Québec provides that the NAL assets will be free and clear of any encumbrances other than certain specific permitted encumbrances.

- During the year, the Company issued 85,111,521 new shares as a result of the conversion of options. Total funds raised were \$1,279,843
- Including the above share issues and others in the year (refer Note 16 in the financial statements), the Company issued a total of 2,684,736,675 shares in the year and \$43.8 million of capital was raised. A total of 262,260,432 options were issued, and a total of 85,111,521 options were exercised.
- Impacts on the Group, during the year and subsequent, of the COVID-19 pandemic are outlined below.

SIGNIFICANT EVENTS AFTER BALANCE DATE

- On 2 June 2021, the Company announced that it had established a new (revised) Earn-in agreement with Altura that was subject to due diligence. On 6th August, Altura announced that it had completed its due diligence on the Pilbara Lithium projects, with the Earn-In period commencing immediately. The Earn-In covers a number of the Group's lithium tenements in Western Australia, with Altura to spend AUD\$1.5 million on exploration within three years to earn a 51% interest.
- On 12 July 2021, the Group completed a share placement, raising AUD\$45 million (before costs) to fund the NAL acquisition.
- On 25 August 2021, the Company completed a Share Purchase Plan (SPP), resulting in the issue of 266,666,917 new shares to raise A\$20m. On 24 August 2021, the Company announced that it listed on the OTCQB Venture Market in the US under the stock code 'SYAXF'.
- On 30 August 2021, the Group announced that the acquisition of North American Lithium (NAL) has now been successfully completed. The purchase cost was approximately C\$198m, made of a cash component of C\$98m and assumed debt of approximately C\$112m.
- On September 30 2021, the Group announced plans to acquire a 60% interest in the Moblan Lithium project in Quebec from Gua Ao Lithium Ltd for consideration of US\$86.5 million. The transaction is subject to financing and other customary conditions.
- In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continued to spread throughout Australia and the World. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on Australian and international economies.

The Group's core business is mineral exploration and development in Australia and Canada. Throughout the year and to the date of this report the Group has not experienced any significant adverse impact. Government directives and travel restrictions, primarily in Quebec, have limited

SAYONA MINING LIMITED
ABN 26 091 951 978

**DIRECTORS' REPORT -
OPERATING AND FINANCIAL REVIEW**

the Group's ability to undertake some activity. The situation has eased significantly recently and operations are returning to normal.

The Directors are actively monitoring the Group's financial condition, operations and workforce. Although the Group cannot estimate the length or gravity of the impacts of these events at this time, if the pandemic continues beyond the short-term or worsens, then this may have an adverse effect on the Group's results of future operations, financial position and liquidity in the financial year 2022.

No other matters or key events have arisen since 30 June 2021 which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

During the year, the Company has focused on completing the permitting process, required to commence the development of the Authier project and the acquisition of the North American Lithium assets. Authier is a near-term development project and cash-flow generation opportunity. The Company plans to combine ore extracted from Authier with ore extracted at NAL to facilitate a significant improvement in plant performance and economics. The Company believes it will create significant share value-uplift potential for shareholders as the project advances towards development.

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

To complete mine development at the Authier Project and refurbishment/restart of the NAL assets, the Company is likely to require additional funding. The form of this funding is currently undetermined and likelihood of success unknown. Consequently, it is not possible at this stage, to predict future results of the activities.

Business Risks

The following exposure to business risks may affect the Group's ability to achieve the objectives outlined above:

- all relevant approvals are obtained to conduct proposed operations;
- technical works will not achieve the results expected;
- potential delays arising through the various stages to commissioning of the Authier and other projects;
- restart of NAL's spodumene concentrate operations may take longer and be more expensive than initially expected;
- exploration and evaluation success on individual projects; and
- the ability to raise additional funds in the future.

ENVIRONMENTAL REGULATION

The Company's operations are subject to environmental regulation under the law in Australia and Canada.

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT -
OPERATING AND FINANCIAL REVIEW

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

The technical studies for the future restart of the NAL spodumene concentrate operations are expected to provide the Directors with the necessary information/ technical details of the environmental regulations as they apply to the manufacturing operations.

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

CORPORATE GOVERNANCE

Sayona's Corporate Governance Statement is available on the Company's website
www.sayonamining.com.au/corporate-governance.

DIRECTORS' REPORT –
REMUNERATION REPORT

REMUNERATION POLICY

The Company's remuneration policy seeks to align Director and executive objectives with those of shareholders and the business, while at the same time recognising the development stage of the Company and the criticality of funds being utilised to achieve development objectives. The Board believes that the current policy has been appropriate and effective in achieving a balance of objectives.

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel (KMP) of the consolidated Group is based on the following:

- The remuneration policy developed and approved by the Board;
- KMP may receive a base salary, superannuation, fringe benefits, options and performance incentives;
- The remuneration structure for KMP is based on a number of factors including length of service, particular experience of the individual concerned and overall performance of the Group;
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met;
- Incentives paid in the form of shares/options are intended to align the interests of the KMP and company with those of the shareholders; and
- The Board reviews KMP packages annually by reference to the consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each party and is based predominantly on the forecast growth of the consolidated Group, project milestones and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives possible and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board collectively determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align their interests with shareholders' interests.

Options granted under incentive arrangements do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using a binomial lattice pricing model which incorporates all market vesting conditions.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using the Company's shares as collateral in any financial transaction, including margin loan arrangements.

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT –
REMUNERATION REPORT

ENGAGEMENT OF REMUNERATION CONSULTANTS

The Company does not engage remuneration consultants.

PERFORMANCE BASED REMUNERATION

KPIs are set annually, in consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and shareholder value, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and relevant industry standards.

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim. The first is a performance based bonus based on KPIs, and the second is the issue of shares/options to executives and directors to encourage the alignment of personal and shareholder interests. The Company believes this policy has been effective in increasing shareholder wealth over recent years, subject to volatility in commodity prices and financial markets.

The following table shows some key performance data of the Group for the last 3 years, together with the share price at the end of the respective financial years.

	2019	2020	2021
Exploration Expenditure (\$)	5,921,618	3,438,587	4,395,428
Exploration Tenements (no. including applications)	185	184	400
Net Assets (\$)	21,223,571	21,145,728	67,886,127
Share Price at Year-end (\$)	0.008	0.008	0.09
Dividends Paid (\$)	Nil	Nil	Nil

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL

The following table provides employment details of persons who were, during the financial year, members of KMP of the Consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based (shares/cash, excluding options).

Key Management Personnel	Position held at 30 June 2021 & change during the year	Contract Details (Term)	Proportion of Remuneration:	
			Related to performance	Not related to performance
			Shares/Cash	Salary & Fees
B Lynch	CEO/Managing Director.	No fixed term, 3 months' notice to terminate.	70.3%/-	29.7%

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT –
REMUNERATION REPORT

Key Management Personnel	Position held at 30 June 2021 & change during the year	Contract Details (Term)	Proportion of Remuneration:	
			Related to performance	Not related to performance
			Shares/Cash	Salary & Fees
P Crawford	Executive Director Company Secretary	No fixed term, termination as provided by Corporations Act	19.7/-	80.3%
A Buckler	Non-executive Director	No fixed term, termination as provided by Corporations Act	-/-	100%
J Brown	Non-executive Director	No fixed term, termination as provided by Corporations Act	-/-	100%
D O'Neill	Non-Executive Director	Resigned 25 January 2021	-/-	100%

Employment Contract of Chief Executive Officer

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

Under the agreement, the Company may terminate the Chief Executive Officer's contract by giving 3 months' notice. In the case of serious misconduct, the Company can terminate employment at any time. If the Company terminates the agreement within the first twelve months of employment or in the event of a change of control transaction involving the Company his employment is involuntarily terminated without cause, Mr Lynch will be entitled to twelve months' notice or payment in lieu of notice.

The contract provides for the payment of short-term cash or equity incentive and equity based long-term incentive. Contract provides for annual review of the compensation value. The terms of this agreement are not expected to change in the immediate future.

CHANGES IN DIRECTORS AND EXECUTIVES SUBSEQUENT TO YEAR-END

Mr Dennis O'Neill resigned as a Non-Executive Director on 25 January 2021. There have been no other changes to Directors or executives since the end of the financial year.

REMUNERATION EXPENSE DETAILS (KMP)

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

SAYONA MINING LIMITED
ABN 26 091 951 978

**DIRECTORS' REPORT –
REMUNERATION REPORT**

2021	Short Term Benefits					Equity Settled					
	Key Management Personnel	Salary & Fees	Move't in AL balance	Total Salary & Fees	Bonus (2)	Non-Cash Benefit	Shares	Options	Post Employ't benefits	Long Term Benefits	Total
B Lynch	325,000	31,254	356,254	903,000	-	-	-	-	25,000	-	1,284,254
P Crawford	278,310	-	278,310	73,500	-	-	-	-	21,690	-	373,500
D O'Neill	36,521	-	36,521	-	-	-	-	-	5,479	-	42,000
A Buckler ⁽¹⁾	72,000	-	72,000	-	-	-	-	-	-	-	72,000
J Brown	72,000	-	72,000	-	-	-	-	-	-	-	72,000
Total	783,831	31,254	815,085	976,500	-	-	-	-	52,169	-	1,843,754

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

- (1) Represents payments made to Shazo Holdings Pty Ltd, an entity controlled by Mr Allan Buckler, to provide directorial and technical services.
- (2) Represents an accrual of bonus payable, pending settlement of the bonus structure.

SECURITIES RECEIVED THAT ARE NOT PERFORMANCE-RELATED

No members of KMP may receive securities that are not performance-based as part of their remuneration package.

SHARES ISSUED AS REMUNERATION

No shares were granted as remuneration to KMP during the current year. KMP may hold other shares acquired in their capacity as shareholders:

In the prior year, Mr Lynch received 2,000,000 ordinary shares on 29 November 2019 valued at \$0.01 each as remuneration.

OPTIONS GRANTED AS REMUNERATION

No options were granted as remuneration to KMP during the current year. KMP may hold other options acquired in their capacity as shareholders.

Options granted as remuneration consist of:

KMP	Balance 1 July 2020	Grant Details			Exercised		Lapsed	Balance 30 June 2021
		Issued Date	No.	Value \$	No.	Value \$	No.	
B Lynch	2,000,000	-	-	-	-	-	-	2,000,000
B Lynch	2,000,000	-	-	-	-	-	-	2,000,000

SAYONA MINING LIMITED
ABN 26 091 951 978

**DIRECTORS' REPORT –
REMUNERATION REPORT**

DESCRIPTION OF OPTIONS ISSUED AS REMUNERATION

Details of options granted by Sayona Mining Limited as remuneration to those KMP listed in the previous table are as follows:

Grant Date	Entitlement on Exercise	Dates Exercisable	Exercise Price	Value per Option at Grant Date	Amount Paid/Payable by Recipient
29.09.19	1:1 ordinary share	From vesting to 29.09.21	3.0 cents	0.2648 cents	-
29.09.19	1:1 ordinary share	From vesting to 29.09.22	4.0 cents	0.3377 cents	-

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

KMP SHAREHOLDINGS

The number of ordinary shares held by each KMP of the Group during the financial year is as follows:

Key Management Personnel	Balance 1 July 2020	Remuneration	Exercise of Options	Other Changes (*)	Balance 30 June 2021
B Lynch	79,819,767	-	-	25,681,852	105,501,619
D O'Neill (**)	89,587,664	-	-	(40,027,000)	49,560,664
P Crawford	128,483,108	-	-	21,005,000	149,488,108
A Buckler	157,808,253	-	-	(32,000,000)	125,808,253
J Brown	6,164,565	-	-	(6,164,565)	-
Total	461,863,357	-	-	(31,504,713)	430,358,644

* Share trades and participation in share issues (in capacity as shareholders)

** Year end balance for Mr O'Neill represents his holding at the time of his resignation

OTHER EQUITY-RELATED KMP TRANSACTIONS

Options held by KMP at 30 June 2021:

B Lynch	45,159,884 listed options and 4,000,000 unlisted options
D O'Neill	625,000 listed options and 872,094 unlisted options
P Crawford	14,949,186 listed options
A Buckler	29,941,861 listed options
J Brown	872,094 listed options

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT –
REMUNERATION REPORT

There were no other transactions involving equity instruments apart from those described in the tables above relating to options and shares.

OTHER TRANSACTIONS WITH KMP AND/OR THEIR RELATED PARTIES

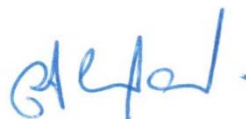
There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

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



Brett Lynch
Managing Director

Signed: 30 September 2021
Brisbane, Queensland



Paul Crawford
Director

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

As lead auditor for the audit of Sayona Mining Limited I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been no contraventions of:

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

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

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Nigel Bamford

N D Bamford

Director

Date: 30 September 2021

Nexia Brisbane Audit Pty Ltd

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Liability limited under a scheme approved under Professional Standards Legislation.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

Consolidated Group	Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non-Controlling Interests	Total
	\$	\$	\$	\$		\$
Balance at 30 June 2019	79,309,022	(58,709,156)	623,705	-		21,223,571
Loss attributable to members of the entity	-	(5,403,751)	-	-		(5,403,751)
Other comprehensive income for the year	-	-	(409,386)	-		(409,386)
Total comprehensive income for the year	-	(5,403,751)	(409,386)	-		(5,813,137)
Transactions with owners in their capacity as owners						
Shares issued during the year	16	5,999,379	-	-	-	5,999,379
Transaction costs		(378,220)	-	-	-	(378,220)
Share based payments	23	-	-	114,135	-	114,135
Total transactions with owners		5,621,159	-	114,135	-	5,735,294
Balance at 30 June 2020		84,930,181	(64,112,907)	214,319	114,135	21,145,728
Loss attributable to members of the entity		-	(4,379,498)	-	-	(4,379,498)
Other comprehensive income for the year		-	(18,639)	-	-	(18,639)
Total comprehensive income for the year		-	(4,379,498)	(18,639)	-	(4,398,137)
Transactions with owners in their capacity as owners						
Shares issued during the year	16	47,008,233	-	-	-	47,008,233
Transaction costs		(3,210,625)	-	-	-	(3,210,625)
Share based payments	23	-	-	844,000	-	844,000
Reserve transferred to retained earnings			849,182	(849,182)	-	-
Recognition of Non-Controlling Interests	27				6,496,928	6,496,928
Total transactions with owners		43,797,608	849,182	(5,182)	6,496,928	51,138,536
Balance at 30 June 2021		128,727,789	(67,643,223)	195,680	6,496,928	67,886,127

The accompanying notes form part of these financial statements.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	Consolidated Group	
		2021	2020
		\$	\$
Revenue and other income	2	645,387	60,429
Administration and Corporate expenses		(3,059,119)	(2,261,051)
Exploration expenditure expensed during year		(81,708)	(1,682,996)
Employee benefit expense		(1,884,058)	(1,473,782)
Foreign exchange losses		-	(46,351)
Loss before income tax	3	(4,379,498)	(5,403,751)
Tax expense	4	-	-
Loss for the year		(4,379,498)	(5,403,751)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		(18,639)	(409,386)
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income/(loss) for the year		(18,639)	(409,386)
Total comprehensive income or (loss) for the year		(4,398,137)	(5,813,137)
Total comprehensive loss attributable to:			
- members of the Company		(4,379,498)	(5,403,751)
- non-controlling interest		-	-
		(4,379,498)	(5,403,751)
Earnings per Share:			
Basic and diluted earnings per share (cents per share)	6	(0.13)	(0.26)
Dividends per share (cents per share)		-	-

The accompanying notes form part of these financial statements.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	Consolidated Group	
		2021	2020
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	35,502,596	492,660
Trade and other receivables	9	10,412,500	228,361
Other assets	10	43,648	38,864
Total Current Assets		45,958,744	759,885
NON-CURRENT ASSETS			
Property, plant and equipment	11	162,222	151,720
Exploration and evaluation asset	12	25,552,728	21,193,106
Right of Use Asset	13	47,629	85,733
Total Non-Current Assets		25,762,579	21,430,559
TOTAL ASSETS		71,721,323	22,190,444
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	3,665,560	894,189
Lease Liability	13	37,540	37,540
Provisions	15	116,872	61,429
Total Current Liabilities		3,819,971	993,158
NON CURRENT LIABILITIES			
Lease Liability	13	15,224	51,558
Total Non Current Liabilities		15,224	51,558
TOTAL LIABILITIES		3,835,195	1,044,716
NET ASSETS		67,886,127	21,145,728
EQUITY			
Issued capital	16	128,727,789	84,930,181
Reserves	17	304,633	328,454
Accumulated losses		(67,643,223)	(64,112,907)
Non-controlling Interests		6,496,928	-
TOTAL EQUITY		67,886,127	21,145,728

The accompanying notes form part of these financial statements.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES
ABN 26 091 951 978

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated Group	
		2021	2020
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(10,736,509)	(2,846,654)
Government Subsidies		315,190	50,000
Interest received		2,252	10,429
Other income		17,584	-
Finance costs		(773,636)	(790,130)
Net cash provided by (used in) operating activities	18	<u>(11,175,119)</u>	<u>(3,576,355)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(31,758)	(26,942)
Capitalised exploration expenditure	12	(4,272,756)	(2,974,613)
Net cash provided by (used in) investing activities		<u>(4,304,514)</u>	<u>(3,001,555)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	16	46,491,520	5,262,655
Costs associated with share and option issues		(2,167,693)	(337,367)
Proceeds from minority interest investment in subsidiary	27	6,496,928	-
Proceeds from convertible note facility		8,044,030	1,102,538
Repayment of convertible notes		(8,044,030)	(783,790)
Repayment of lease liabilities		(36,334)	(34,738)
Net cash provided by (used in) financing activities		<u>50,784,421</u>	<u>5,209,298</u>
Net increase (decrease) in cash held		35,304,788	(1,368,612)
Cash at beginning of financial year		492,660	1,822,133
Effect of exchange rates on cash holdings in foreign currencies		(294,852)	39,139
Cash at end of financial year	8	<u>35,502,596</u>	<u>492,660</u>

The accompanying notes form part of these financial statements.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Sayona Mining Limited ("the Company") and Controlled Entities (the "Consolidated Group" or "Group").

The separate financial statements of the parent entity, Sayona Mining Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Financial information for Sayona Mining Limited as an individual entity is included in Note 26.

The financial statements have been authorised for issue as at the date of the Directors' Declaration.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Continued Operations and Future Funding

The financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Sayona Mining Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 27.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists, and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

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

Property, Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of the recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for plant and equipment are in the range between 4% and 40%.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

Exploration and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised, where the Group has right of tenure, to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

The term "Joint Operation" has been used to describe "farm-in" and "farm-out" arrangements.

Where the Group has entered into joint operation agreements on its areas of interest, the earn-in contribution by the joint operation partner is offset against expenditure incurred. Earn-in contributions paid, or expenditure commitments incurred by the Company to acquire a joint venture interest are expensed when incurred up to the time an interest is acquired.

Restoration Costs

The Group currently has no obligation for any restoration costs in relation to discontinued operations, nor is it currently liable for any future restoration costs in relation to current areas of interest. Consequently, no provision for restoration has been deemed necessary.

Leases

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

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

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- 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 terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

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

Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include consideration of external and internal sources of information. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis after initial recognition, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

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

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

Financial assets

Financial assets are subsequently measured at amortised cost.

Measurement is on the basis of two primary criteria:

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

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

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

Derecognition

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

Derecognition of financial liabilities

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

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

Derecognition of financial assets

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

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

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

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

Impairment

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

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Equity Settled Payments

The Group uses shares and options to settle liabilities. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a binomial pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Cash and Cash Equivalents

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

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with amounts normally paid within 30 days of recognition of the liability. Amounts are initially recognised at fair value, and subsequently measured at amortised cost.

Issued Capital

Ordinary shares are classified as equity. Transaction costs (net of tax, where the deduction can be utilised) arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

Where share application monies have been received, but the shares have not been allotted, these monies are shown as a payable in the statement of financial position.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share options are classified as equity and issue proceeds are taken up in the option reserve. Transaction costs (net of tax where the deduction can be utilised) arising on the issue of options are recognised in equity as a reduction of the option proceeds received.

Revenue and Other Income

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

Interest revenue is recognised using the effective interest method. All revenue is stated net of the amount of goods and services tax.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities are presented as operating cash flows included in receipts from customers or payments to suppliers.

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

Comparative Figures

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

Earnings per Share (EPS)

Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per ordinary share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Adjusting Events

The weighted average number of shares outstanding during the period and for all periods presented are adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment - general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers.

Exploration and evaluation expenditure (Note 12):

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. For some areas of interest the Group has assessed the existence of reserves and considers the expenditure is recoverable through successful development of the area. For other areas of interest exploration activity continues and the directors are of the continued belief that such expenditure should not be written off since technical and feasibility studies in such areas have not yet concluded.

Tax Losses Available (Note 4):

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

New Accounting Standards Adopted

There are no new accounting standard adopted.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 2: REVENUE AND OTHER INCOME

	2021	2020
	\$	\$
Interest received from unrelated parties	2,252	10,429
FX Currency Gain	310,361	-
Government subsidy and incentive receipts (R&D/Cashboost)	315,190	50,000
Other income	17,584	-
Total revenue and other income	645,387	60,429

NOTE 3: LOSS FOR THE YEAR

(i) Expenses:

Included in expenses are the following items:

Foreign exchange loss	-	46,351
Depreciation and amortisation	13,654	15,466
Amortisation on right of use assets	38,104	38,103
Finance costs on lease liabilities	3,665	4,862
Short Term Lease Expenses	44,120	59,666

(ii) Significant Revenue and Expenses

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

Capitalised exploration & evaluation expenditure written-off	(81,708)	(1,545,618)
Exploration and evaluation expenditure expensed during the year	-	(137,378)
Finance costs incurred in relation to various finance facilities	(769,971)	(785,268)
Capital raising fees and commissions expenses	(160,876)	-
Legal advisory and share registry	(878,274)	-

NOTE 4: INCOME TAX EXPENSE

(a) The prima facie tax on loss from ordinary activities is reconciled to the income tax as follows:

Prima facie tax payable on loss from ordinary activities before income tax at 26.0% (2020: 27.5%).	(1,138,669)	(1,486,031)
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Adjust for tax effect of:

Exploration expenditure capitalised	(90,924)	(151,289)
Other non-deductible costs (net)	106,557	530,186
Other non-assessable income	(85,982)	(13,750)
Tax losses and temporary differences not brought to account	1,209,018	1,120,884

Income tax expense attributable to entity	-	-
Weighted average effective tax rate (nil due to tax losses)	0.00%	0.00%

(b) Deferred tax assets and liabilities not brought to account, the net benefit of which will only be realised if the conditions for deductibility set out in Note 1 occur:

Temporary differences	(726,827)	(337,507)
Tax losses - Revenue	7,018,041	5,973,041
Tax losses - Capital	5,613,671	5,613,671
Net unbooked deferred tax asset	11,904,885	11,249,205

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4: INCOME TAX EXPENSE (CONTINUED)

The Group has unconfirmed carry forward losses for revenue of \$27,608,259 (2020: \$23,621,838) and for capital of \$22,454,683 (2020: \$22,454,683). Deferred tax assets and liabilities are stated at tax rates expected to apply when the relevant items are realised. Prior year carry forward revenue losses have been revised in the current year to agree to amended tax returns due for lodgement.

The tax benefits will only be obtained if the conditions in Note 1 are satisfied; the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised and if the economic entity continues to comply with the conditions for deductibility imposed by the relevant tax legislation.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP), and other information (including equity interests) for the year ended 30 June 2021.

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

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

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

	2021	2020
	\$	\$
Short-term employee benefits	1,791,585	1,086,633
Post-employment benefits	52,169	61,772
Other long-term benefits	-	-
Share-based payments	-	32,050
Total KMP compensation	1,843,754	1,180,455

Short-term employee benefits

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

Post-employment benefits

These amounts are the superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, and shares granted on grant date.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 6: EARNINGS PER SHARE

	2021	2020
	\$	\$
The earnings figures used in the calculation of both the basic EPS and the dilutive EPS are the same as the profit or (loss) in the statement of profit or loss and other comprehensive income.		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	3,431,676,525	2,054,565,673
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted EPS	3,431,676,525	2,054,565,673

Options to acquire ordinary shares in the parent company are the only securities considered as potential ordinary shares in determination of diluted EPS. These securities are not presently dilutive and have been excluded from the calculation of diluted EPS.

NOTE 7: AUDITORS' REMUNERATION

	2021	2020
	\$	\$
Remuneration of the auditor for:		
- auditing or reviewing the financial reports	53,000	48,000
- other assurance services	-	-
	53,000	48,000

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	35,452,596	442,660
Short-term bank deposits	50,000	50,000
Cash at bank and on hand	35,502,596	492,660

The effective interest rate on short-term bank deposits was 0.1% (2020: 0.25%). These deposits have an average maturity of 365 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flow is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	35,502,596	492,660
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NOTE 9: TRADE AND OTHER RECEIVABLES

Current (unsecured):

Receivable - share issue	5,800,000	-
Other Debtors	4,612,500	228,361
	10,412,500	228,361

The share issue receivable relates to shares issued pursuant to a Controlled Placement Agreement with Acuity Capital. Shares were issued on 30 June 2021, with funds received on 1 July 2021.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

Other debtors includes \$350,382 (2020: \$158,079) of GST/VAT amounts due from the Australian and Canadian taxation authorities, which represents a significant concentration of credit risk to the Group. Other debtors also includes \$4,223,088 for the initial deposits lodged in support of our bid for the acquisition of North American Lithium (NAL). Subsequent to year end, the deposits were utilised as part of the settlement of acquisition of NAL. Refer Note 24.

NOTE 10: OTHER ASSETS

	2021 \$	2020 \$
Current:		
Deposits	-	2,238
Prepayments	43,648	36,626
	43,648	38,864

NOTE 11: PLANT AND EQUIPMENT

Plant and equipment

At cost	219,142	194,855
Accumulated depreciation	(56,920)	(43,135)
Total plant and equipment	162,222	151,720
Reconciliation of the carrying amounts for property, plant and equipment:		
Balance at the beginning of year	151,720	144,083
Additions	31,758	26,942
Depreciation expense	(13,654)	(15,466)
Foreign currency translation	(7,602)	(3,839)
Carrying amount at the end of year	162,222	151,720

NOTE 12: EXPLORATION AND EVALUATION ASSET

	2021 \$	2020 \$
Exploration and evaluation expenditure carried forward in respect of areas of interest are:		
Exploration and evaluation phase - group interest 100% (a)	23,523,843	17,839,978
Exploration and evaluation phase - subject to joint operation (b)	2,028,885	3,353,128
	25,552,728	21,193,106

(a) Movement in exploration and evaluation expenditure:

	Non-Joint Operation	
Opening balance - at cost	17,839,978	19,111,142
Capitalised exploration and evaluation expenditure	3,805,078	2,534,017
Transfer from joint operations	1,842,720	(1,849,946)
Capitalised exploration expenditure written-off	(81,708)	(1,545,618)
Foreign currency translation movement	117,775	(409,617)
Carrying amount at end of year	23,523,843	17,839,978

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 12: EXPLORATION AND EVALUATION ASSET (CONTINUED)

	2021	2020
	\$	\$
	Subject to Joint Operation	
(b) Movement in exploration and evaluation expenditure:		
Opening balance - at cost	3,353,128	766,257
Capitalised exploration and evaluation expenditure	508,642	767,192
Transfer to/from joint operations	(1,842,720)	1,849,946
Foreign currency translation movement	9,835	(30,267)
Carrying amount at end of year	2,028,885	3,353,128

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

Movements during the year on exploration and evaluation assets included \$2,338,349 (2020: \$1,385,539) on the Authier Lithium project in Canada . A further \$1,893,666 (2020: \$1,915,670) has been expended on existing and new projects. Of that total, \$409,65 (2020: \$309,345) was settled by issue of 910,318 (2020: 30,217,160) ordinary shares in the company.

On 24 December 2020, the Group paid the final C\$250,000 option payment to Quebec Precious Metals Inc. to acquire the remaining 50% interest in relevant Tansim tenements. The Group now holds a 100% interest in the tenements.

During the year, the Company increased the size of its Tansim Lithium project in Quebec with the application and subsequent grant of 165 additional claims, taking the total project area to 20,256 ha of prospective lithium ground.

During the period, the Group resumed responsibility for its Pilbara gold and lithium tenement portfolio after terminating its original Earn-In Agreement with Altura Mining Limited. Altura had not earned any interest in the tenements. On 2 June 2021 , the Company announced that it had established a new Earn-in agreement with Altura subject to due diligence. Subsequent to year end, Altura advised it had completed its due diligence and would commence the earn-in period. The earn-in covers a range of lithium tenements in the Pilgangoora lithium district in Western Australia. Under the agreement, Altura is required to spend \$1.5million on exploration within three years to earn a 51% interest. The remaining tenements not included in the Earn-in are under the Group's direct control and will be managed by the Group.

Commitments in respect of exploration projects are set out in Note 20. In addition, the Group has options on projects as set out in Note 25.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

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

Right-of-use assets

	2021	2020
	\$	\$
Leased Building	123,836	123,836
Accumulated Depreciation	(76,207)	(38,103)
	47,629	85,733
Movement in carrying amounts:		
Opening Balance at cost	85,733	-
Recognised on initial application of AASB 16	-	123,836
Depreciation Expense	(38,104)	(38,103)
Net Carrying Amount	47,629	85,733
Lease Liability		
- Current	37,540	37,540
-Non Current	15,224	51,558
	52,764	89,098
Depreciation charge related to right-of-use assets	38,104	38,103
Interest Expense on Lease Liabilities	3,665	4,862
Total Yearly cash outflows for leases	39,600	39,600

NOTE 14: TRADE AND OTHER PAYABLES

	2021	2020
	\$	\$
Current (unsecured):		
Trade creditors	1,648,184	642,963
Sundry creditors and accrued expenses	2,017,376	251,226
Total trade and other payables	3,665,560	894,189
Financial liabilities at amortised cost classified as trade and other payables:		
Financial liabilities as trade and other liabilities (refer Note 21)	3,665,560	894,189

NOTE 15: PROVISIONS

Current:

Provision for employee entitlements	116,872	61,429
Opening balance	61,429	38,846
Additional provisions	64,734	61,981
Amounts used	(9,291)	(39,398)
Balance at year end	116,872	61,429

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 16: ISSUED CAPITAL

	2021	2020
	\$	\$
Fully paid ordinary shares	128,727,789	84,930,181
Balance at the beginning of the reporting period	2,468,958,700	1,722,574,344
Shares issued during the prior year:		746,384,356
Shares issued during the current year:		
22 July 2020, new issue of shares at \$0.008 per share issued under an entitlement offer.	210,833,567	
22 July 2020, new issue of shares at \$0.008 per share issued as a placement.	120,416,433	
7 August 2020, new issue of shares at \$0.008 per share issued for services provided.	3,437,500	
7 September 2020, new issue of shares at \$0.007 per share pursuant to the Battery Metals share placement agreement.	39,545,230	
27 October 2020, new issue of shares at \$0.0095 per share pursuant to the Acuity Capital agreement.	68,700,000	
2 November 2020, new issue of shares at \$0.008 per share as a Director Placement approved by shareholders.	12,500,000	
2 November 2020, new issue of shares at zero value issued to Battery Metals Capital. (Refer Note 30)	45,000,000	
11 December 2020, new issue of shares at \$0.006 per share issued to Battery Metals Capital.	90,432,267	
13 January 2021, new issue of shares at \$0.0119 per share pursuant to agreement with Piedmont Lithium Limited	336,207,043	
18 January 2021, new issue of shares at \$0.007 per share issued to Battery Metals Capital.	177,034,028	
18 January 2021, new issue of shares on conversion of options at \$0.03 per share	872,093	
22 January 2021, new issue of shares on conversion of options at \$0.02 each	7,680,812	
22 January 2021, new issue of shares on conversion of options at \$0.03 each	58,140	
27 January 2021, new issue of shares on conversion of options at \$0.03 each	930,233	
29 January 2021, new issue of shares at \$0.045 per share in settlement of tenement acquisition	910,318	
1 February 2021, new issue of shares at \$0.007 per share issued to Battery Metals Capital.	154,813,199	
5 February 2021, new issue of shares on conversion of options at \$0.02 each	35,312	
5 February 2021, new issue of shares on conversion of options at \$0.03 each	1,046,512	
10 February 2021, new issue of shares on conversion of options at \$0.02 each	201,062	
4 March 2021, new issue of shares on conversion of options at \$0.013 per share	48,000,000	
5 March 2021, new issue of shares on conversion of options at \$0.02 each	15,937	
12 March 2021, new issue of shares on conversion of options at \$0.02 each	6,250	
26 March 2021, new issue of shares at \$0.0083 per share pursuant to agreement with Piedmont Lithium Limited	43,028,619	
29 March 2021, new issue of shares on conversion of options at \$0.02 each	66,328	
29 March 2021, new issue of shares on conversion of options at \$0.03 each	58,140	
8 April 2021, new issue of shares on conversion of options at \$0.012 each	4,869,141	

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 16: ISSUED CAPITAL (CONTINUED)

	2021	2020
	\$	\$
27 April 2021, new issue of shares at \$0.032 per share were issued under an entitlement offer.	638,468,300	
29 April 2021, new issue of shares at \$0.032 per share in settlement of services provided	5,357,236	
29 April 2021, new issue of shares on conversion of options at \$0.02 each	7,500	
31 May 2021, new issue of shares on conversion of options at \$0.0145 each	18,666,666	
9 June 2021, new issue of shares on conversion of options at \$0.02 each	39,255	
9 June 2021, new issue of shares on conversion of options at \$0.03 each	290,698	
10 June 2021, exercise PLL con note Tranche A at \$0.0119 each	342,873,866	
10 June 2021, exercise PLL con note Tranche B at \$0.0119 each	81,100,000	
10 June 2021, exercise PLL con note Tranche C at \$0.0083 each	54,261,687	
10 June 2021, exercise PLL con note Tranche D at \$0.032 each	79,705,861	
28 June 2021, new issues of share on conversion of options at \$0.03 each	872,093	
29 June 2021, new issues of shares on conversion of options at \$0.03 each	1,104,651	
30 June 2021, new issue of shares to Acuity Capital at \$0.061 each	95,000,000	
30 June 2021, new issue of shares on conversion of options at \$0.03 each	290,698	
Balance at reporting date	<u>5,153,695,375</u>	<u>2,468,958,700</u>

All share issues in the current period were for cash other than:

Issue of 8,794,736 shares valued at \$198,932 for services provided (charged to Profit & Loss).

Issue of 39,545,230 shares valued at \$276,817 pursuant to the Battery Metals share placement agreement (charged to Profit & Loss).

Issue of 45,000,000 shares at nil value to Battery Metals Capital pursuant to the Battery Metals share placement agreement.

Issue of 910,318 shares valued at \$40,964 in settlement of an option payment to acquire a further interest in mineral tenements.

Share issues to Battery Metals Capital and Acuity Capital relate to "share finance" facilities - refer Note 30.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares.

Options on issue are as follows:

	2021	2020
	\$	\$
(i) Unlisted employee and officer options		
Balance at beginning of reporting period	8,000,000	-
Granted (Note 23)	-	8,000,000
Exercised	-	-
Expired	-	-
Balance at reporting date	<u>8,000,000</u>	<u>8,000,000</u>

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 16: ISSUED CAPITAL (CONTINUED)

Employee incentive options consist of:

4,000,000 options to acquire ordinary shares at \$0.03 - expiring on 29 November 2021

4,000,000 options to acquire ordinary shares at \$0.04 - expiring on 29 November 2022

All options have vested.

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

(ii) Listed options

Balance at beginning of reporting period	182,716,433	120,242,589
Granted	195,593,766	182,716,433
Exercised	(10,610,596)	(6,749)
Expired	-	(120,235,840)
Transfer from unlisted options	107,158,042	-
Balance at reporting date	474,857,645	182,716,433

Listed options issued during the year consisted of 171,875,016 options relating to shares subscribed under the shortfall facility under the entitlement offer undertaken in April 2021.

One free option was issued for every 2 shares subscribed, each option is exercisable at \$0.02 to acquire 1 ordinary share with all options expiry on 29 April 2023.

No value is ascribed to the listed shareholder options for accounting purposes.

In addition, 23,718,750 options were issued to advisors providing services in relation to the capital raise. These are also exercisable \$0.02 each and expire 29 April 2023. These options are valued at \$0.02 each for accounting purposes. (refer Note 23).

In May 2021, Sayona applied to list 107,158,042 previously unlisted options on the ASX. The options are exercisable at \$0.03 and expire 23 July 2022.

(iii) Other Unlisted options

Balance at beginning of reporting period	114,992,301	-
Granted during the period	66,666,666	114,992,301
Exercised during the period	(74,500,925)	-
Expired during the period	-	-
Transfer to listed options	(107,158,042)	-
Balance at reporting date	-	114,992,301

The Company made a placement and issued 48,000,000 listed options to Battery Metals LLC for services provided.

Each option is exercisable at \$0.013 and were due to expire on 2 November 2023. The options were exercised on 4 March 2021.

The options have been valued at \$0.005 each, with \$240,000 recognised in the reserves and charged to profit & loss. (Refer Note 23)

The Company issued 18,666,666 listed options to Jett Capital Advisors LLC for services provided.

Each option is exercisable at \$0.0145 and were due to expire on 21 March 2024. The options were exercised on 31 May 2021.

The options have been valued at \$0.03 each, with \$560,000 recognised in the reserves and charged to profit & loss. (Refer Note 23).

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 16: ISSUED CAPITAL (CONTINUED)

Capital management policy

Exploration companies such as Sayona Mining are funded by share capital during exploration and a combination of share capital and borrowings as they move into the development and operating phases of their business life.

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

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

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTE 17: RESERVES

Foreign currency translation reserve

The foreign currency translation reserve recorded exchange differences arising on translation of a foreign controlled subsidiary.

Options reserve

The options reserve records amounts recognised as expenses on valuation of employee share options.

NOTE 18: CASH FLOW INFORMATION

	2021	2020
	\$	\$
(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax:		
Loss from ordinary activities after income tax	(4,379,498)	(5,403,751)
Non-cash flows in profit from ordinary activities:		
Depreciation/amortisation	51,758	53,569
Share based payments - corporate costs	276,817	49,182
Unrealised foreign exchange transactions	321,781	64,100
Write off capitalised exploration expenditure	(81,708)	1,545,618
Changes in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(10,180,888)	101,239
(Increase)/Decrease in other assets	(6,936)	53,941
(Decrease)/Increase in creditors and accruals	2,768,301	(46,520)
(Decrease)/Increase in provisions	55,254	6,267
Cash flows from operations	<u>(11,175,119)</u>	<u>(5,121,973)</u>

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: CASH FLOW INFORMATION (CONTINUED)

(b) Non-cash Financing and Investing Activities

Issue of 3,437,500 shares valued at \$27,500 for services provided.

Issue of 39,545,230 shares valued at \$276,817 pursuant to the Battery Metals share placement agreement.

Issue of 45,000,000 shares at nil value to Battery Metals Capital pursuant to the Battery Metals share placement agreement.

Issue of 910,318 shares valued at \$40,964 in settlement of an option payment to acquire a further interest in mineral tenements.

Issue of 5,357,236 shares valued at \$171,432 for services provided.

(c) Changes in liabilities from financing activities

	Convertible Notes (note 30)	Lease liabilities	Total
Balance 30 June 2020	-	89,098	89,098
Cash Flows	-	(36,334)	(36,334)
Non-cash movements	-	-	-
Balance 30 June 2021	-	52,764	52,764

NOTE 19: RELATED PARTY TRANSACTIONS

(a) The Group's main related parties are as follows:

Key Management Personnel:

Any persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or non-executive) of the Group, are considered key management personnel (see Note 5).

(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

During the year, the parent entity engaged Shazo Holdings Pty Ltd, an entity controlled by Mr Allan Buckler, a director of the company, to provide directorial and exploration technical services. Fees of \$72,000 were incurred during the year (2020: \$72,000).

Included in payables (note 14) is \$150,000 (2020: \$227,555) remuneration payable to other directors. Altura Mining Ltd is a director related entity - refer Note XX for details of transactions.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 20: 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.

	2021	2020
	\$	\$
Not later than 1 year	1,051,848	1,193,834
Between 1 year and 5 years	312,440	997,271
Total commitment	1,364,288	2,191,105

Under the new earn-in agreement with Altura Mining (note 25), exploration amounts paid will be applied to meet some of the above exploration commitments. The new Earn-In Agreement does not include all tenements which the Company currently controls, consequently, the Company will be responsible for the other tenements.

(c) NAL commitments

Subsequent to the end of the reporting period, the Group completed the acquisition of North American Lithium (NAL). Commitments in respect of this transaction are set out in Note 24.

NOTE 21: FINANCIAL RISK MANAGEMENT

The Group's financial instruments mainly comprises cash balances, receivables and payables. The main purpose of these financial instruments is to provide finances for group operations.

The totals for each category of financial instruments, measured in accordance with AASB 139: Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements are detailed in the table outlining financial instruments composition and maturity analysis in part (b) below.

Financial Risk Management Policies

The Board of the company meets on a regular basis to analyse exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board has overall responsibility for the establishment and oversight of the company's risk management framework. Management is responsible for developing and monitoring the risk management policies.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk, consisting of interest rate risk and foreign exchange risk. These risks are managed through monitoring of forecast cashflows, interest rates, economic conditions and ensuring adequate funds are available.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

(a) Credit Risk

Credit risk arises from exposures to deposits with financial institutions and sundry receivables (Notes 8 and 9).

Credit risk is managed and reviewed regularly by the Board. The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties.

The carrying amount of cash and receivables recorded in the financial statements represent the Group's maximum exposure to credit risk. Concentration of credit risk is set out in Note 9.

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able meet its financial obligations as they fall due. This risk is managed by ensuring, to the extent possible, that there is sufficient liquidity to meet liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

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

Financial liability and financial asset maturity analysis

The table below reflects an undiscounted contractual maturity analysis for financial assets and financial liabilities and reflects management's expectations as to the timing of termination and realisation of financial assets and liabilities.

Consolidated Group	1 year or less	1 to 2 years	More than 2 years	Total
2021	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents (i)	35,502,596	-	-	35,502,596
Receivables (ii)	10,412,500	-	-	10,412,500
	<u>45,915,096</u>	<u>-</u>	<u>-</u>	<u>45,915,096</u>
Financial liabilities				
Payables (ii)	3,665,560	-	-	3,665,560
Lease Liability (iii)	37,540	15,224	-	52,764
	<u>3,703,100</u>	<u>15,224</u>	<u>-</u>	<u>3,718,324</u>
Net cash flow on financial instruments	<u>42,211,996</u>	<u>(15,224)</u>	<u>-</u>	<u>42,196,772</u>
2020				
Financial assets	\$	\$	\$	\$
Cash and cash equivalents (i)	492,660	-	-	492,660
Receivables (ii)	228,361	-	-	228,361
	<u>721,021</u>	<u>-</u>	<u>-</u>	<u>721,021</u>
Financial liabilities				
Payables (ii)	894,189	-	-	894,189
Lease Liability (iii)	37,540	40,930	10,628	89,098
	<u>931,729</u>	<u>40,930</u>	<u>10,628</u>	<u>983,287</u>
Net cash flow on financial instruments	<u>(210,708)</u>	<u>(40,930)</u>	<u>(10,628)</u>	<u>(262,266)</u>

(i) Floating interest with a weighted average effective interest rate of 0.10% (2020: 0.75%).

(ii) Non-interest bearing.

(iii) Incremental borrowing rate 4.5%

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 21: FINANCIAL RISK MANAGEMENT (continued)

(c) Market Risks

(i) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, arises in relation to the company's bank balances.

This risk is managed through the use of variable rate bank accounts.

(ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency movements, primarily in respect of the Canadian and US Dollar. No derivative financial instruments are employed to mitigate the exposed risks. Risk is reviewed regularly, including forecast movements in these currencies by the senior executive team and the Board.

These foreign exchange risks arose from

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

	CAD	USD
	2021	2021
The Group's exposure (in AUD) to foreign currency risk at the reporting date was as follows:		
Cash and cash equivalents	145,413	14,079,247
Receivables	4,553,595	-
Payables	(2,223,723)	-
Net exposure	2,475,285	14,079,247
	CAD	USD
	2020	2020
Cash and cash equivalents	183,856	3,877
Receivables	151,355	-
Payables	(465,709)	-
Net exposure	(130,498)	3,877

(d) Sensitivity analysis

If the spot Australian Dollar rate strengthened/weakened by 5 percent against the US Dollar, with all other variables held constant, the Group's post-tax result for the year would have been increased/decreased by \$704,036 (2020 +/- \$194).

If the spot Australian Dollar rate strengthened/weakened by 5 percent against the Canadian Dollar, with all other variables held constant, the Group's post-tax result for the year would have been increased/decreased by \$130,721 +/- (2020: \$11,525).

The Group has performed sensitivity analysis relating to its exposure to interest rate risk. At year end, the effect on profit and equity as a result of a 1% change in the interest rate, with all other variables remaining constant would be +/- \$355,025 (2020: \$4,927).

(e) Fair Values

The aggregate fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and notes to the financial statements. Fair values are materially in line with carrying values, due to the short term nature of all these items.

SAYONA MINING LIMITED AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 22: CONTINGENT LIABILITIES

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

NOTE 23: SHARE BASED PAYMENTS

Options

The following options were issued during the year.

On 22 July 2020, 22,000,000 listed options to Maye Capital Pty Ltd for services provided.

On 7 August 2020, 1,718,750 listed options to Canning Corp Pty Ltd for services provided.

On 2 November 2020, 48,000,000 unlisted options to Battery Metals LLC for services provided.

On 18 March 2021, 18,666,666 unlisted options to Jett Capital Advisors LLC for services provided.

	2021		2020	
Options issued are summarised as:	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	No	\$	No	\$
Outstanding at beginning of the year	33,295,564	0.022	-	-
Granted	90,385,416	0.015	33,295,564	0.022
Forfeited	-	-	-	-
Exercised	(71,535,807)	0.013	-	-
Expired	-	-	-	-
Outstanding at period end	52,145,173	0.022	33,295,564	0.022
Exercisable and vested at year end	52,145,173	0.022	33,295,564	0.022

In addition to the above options, a total of 171,875,016 free options were issued to shareholders as part of the April 2021 entitlement offer.

Shares

Issue of 3,437,500 shares valued at \$27,500 for services provided.

Issue of 39,545,230 shares valued at \$276,817 pursuant to the Battery Metals share placement agreement.

Issue of 45,000,000 shares at nil value to Battery Metals Capital pursuant to the Battery Metals share placement agreement.

Issue of 910,318 shares valued at \$40,964 in settlement of an option payment to acquire a further interest in mineral tenements.

Issue of 5,357,236 shares valued at \$171,432 for services provided.

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

SAYONA LIMITED AND CONTROLLED ENTITIES AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 24: EVENTS AFTER BALANCE DATE

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

On 12 July 2021, the Company announced plans to raise \$45m through the issue of 600,000,000 shares at \$0.075 (7.5 cents). The placement to sophisticated and professional investors was undertaken in 2 tranches, completing on 23 August 2021.

On 6 August 2021, the Company's Western Australian partner, Altura Mining Limited completed its due diligence on the Pilbara lithium projects, with the earn-in period commencing immediately.

On 23 August 2021, the Company announced the closure of the share purchase plan, resulting in the issue of 266,666,917 new shares at \$0.075 (7.5 cents) per share. \$20,000,000 was received.

On 30 June 2021, the Superior Court of Québec (Commercial Division) granted an approval and vesting order regarding the Group's (75%) joint bid with Piedmont Lithium Inc. (25%) for the acquisition by Sayona Québec Inc. of NAL.

The NAL transaction was subject to regulatory approval which was obtained in August 2021 as a condition for completion.

Under the Share Purchase Agreement, entered into between Sayona Québec and NAL, at completion of the transaction, Sayona Québec will acquire all the issued and outstanding shares of NAL, which will keep substantially all its assets. The order of the Superior Court of Québec provides that the NAL assets will be free and clear of any encumbrances other than certain specific permitted encumbrances.

The bid value was approximately C\$198m, made of a cash component of C\$98m and assumed debt of approximately C\$112m. The assumed debt represents NAL's obligations under the senior and subordinated secured debts of Investissement Québec (IQ).

The IQ Assigned Debt will be carried within the Group as an inter-company loan and eliminated on consolidation, with no net financial impact on a group basis.

On 30 August 2021, the Company completed the acquisition of North American Lithium (NAL). The group's cash contribution to settlement was approximately C\$69.5m.

Overall funding of C\$198 million is financed through the Group's cash reserves and the assumption of the existing debt facility. With the completion of the acquisition, the Group will now undertake activities targeted at recommissioning and commencement of mine operations.

On September 30 2021, the Group announced plans to acquire a 60% interest in the Moblan Lithium project in Quebec from Gua Ao Lithium Ltd for consideration of US\$86.5 million. The transaction is subject to financing and other customary conditions.

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

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

SAYONA LIMITED AND CONTROLLED ENTITIES AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 24: EVENTS AFTER BALANCE DATE (CONTINUED)

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

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

NOTE 25 JOINT ARRANGEMENTS

The Group has entered into joint arrangements with the following parties. Joint arrangements are in the form of options to acquire mineral tenements (refer Note 12).

Sayona Lithium Pty Ltd

The Group holds an 80% interest in the Western Australian mineral tenement E59/2092 (Mt Edon) at 30 June 2021. Under the agreement, the vendor is entitled to receive a 1% gross production royalty and is entitled to explore for and develop other non-lithium commodity within the Tenement during the option period.

During the period, the Group entered an "Earn-In" Agreement with lithium producer Altura Mining Limited (ASX:AJM) for 12 tenements subject to due diligence. The due diligence was completed in August 2021. Altura is to spend \$1.5m on exploration within three years to earn a 51% stake in the Company's Australian lithium tenements.

Sayona Quebec Inc.

On 28 February 2019, the Company entered into an acquisition agreement with Exiro Minerals Group in relation to a number of mineral claims in Quebec.

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

- Investing CAD\$10k in exploration and pay CAD\$40k in shares to Exiro within the second 12 months; and
- Investing CAD\$60k in exploration and pay CAD\$50k in shares Exiro within 24 and 36 months of signing.

All conditions have been met other than the payment of CAD\$110,000 in cash and shares which will be paid according to the dates outlined in the Option Agreement.

Under the agreement, the vendor retains a 2% net smelter royalty return.

SAYONA LIMITED AND CONTROLLED ENTITIES AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****NOTE 26: PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Sayona Mining Limited. This information has been

	2021	2020
	\$	\$
Current assets	39,468,941	409,530
Non-current assets	30,786,336	21,283,366
Total assets	<u>70,255,277</u>	<u>21,692,896</u>
Current liabilities	2,119,839	495,610
Non-current liabilities	32,635	51,558
Total liabilities	<u>2,152,474</u>	<u>547,168</u>
Net Assets	<u>68,102,803</u>	<u>21,145,728</u>
Contributed equity	128,727,789	84,930,181
Option Reserve	108,953	114,135
Accumulated losses	(60,733,939)	(63,898,588)
Total equity	<u>68,102,803</u>	<u>21,145,728</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total (profit)/loss for the year	(2,315,467)	5,822,102
Total other comprehensive income	-	-
Total comprehensive loss for the year	<u>(2,315,467)</u>	<u>5,822,102</u>

Guarantees

There are no parent company guarantees.

Contingent Liabilities

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

NOTE 27: INTERESTS IN SUBSIDIARIES**Information about principal subsidiaries**

Sayona Lithium Pty Ltd, incorporated in Australia on 4 September 1986. The parent entity holds 100% of the ordinary shares of the entity.

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

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

Sayona Quebec Inc, incorporated in Canada on 7 July 2016. The parent entity held 100% of the ordinary shares of the entity. On 8th June 2021, Piedmont subscribed for US\$5 million worth of shares in Sayona Quebec to acquire a 25% interest in Sayona's Canadian subsidiary.

In accordance with terms of the Subscription Agreement, the parent entity Sayona Mining Limited converted its intercompany loan with Sayona Quebec to ordinary shares.

SAYONA LIMITED AND CONTROLLED ENTITIES AND CONTROLLED ENTITIES

ABN 26 091 951 978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 27: INTERESTS IN SUBSIDIARIES (CONTINUED)

Future operating costs and working capital will be jointly funded by Sayona 75% and Piedmont 25%. All future CAPEX on the NAL plant will be jointly funded by Sayona (75%) and Piedmont (25%).

These subsidiaries have share capital consisting solely of ordinary shares which are held directly by the Group and minority interests (being Piedmont Lithium).

There are no significant restrictions over the Group's ability to access or use assets and settle liabilities of the Group.

Each subsidiary's principal place of business is also its country of incorporation, and year ends coincide with the parent company.

NOTE 28: SEGMENT REPORTING

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

Primary Reporting: Geographical Segments

	Australia		Overseas		Consolidated Group	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
REVENUE						
Revenue	644,591	54,866	796	5,563	645,387	60,429
Total revenue from ordinary activities	644,591	54,866	796	5,563	645,387	60,429
RESULT						
Profit/(loss) from ordinary activities before income tax expense	(2,952,535)	(5,057,425)	(1,426,963)	(346,326)	(4,379,498)	(5,403,751)
Income tax expense	-	-	-	-	-	-
Profit/(loss) from ordinary activities after income tax expense	(2,952,535)	(5,057,425)	(1,426,963)	(346,326)	(4,379,498)	(5,403,751)
ASSETS						
Segment assets	40,969,047	2,345,992	30,752,276	19,844,452	71,721,323	22,190,443
LIABILITIES						
Segment liabilities	(1,557,110)	(550,521)	(2,278,086)	(494,194)	(3,835,196)	(1,044,716)

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.

SAYONA LIMITED AND CONTROLLED ENTITIES AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: FAIR VALUE MEASUREMENT

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

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

NOTE 30: SHARE ISSUES FOR FINANCE FACILITIES

Controlled Placement Agreement

During the financial year, the Company activated the Acuity Controlled Placement Agreement (entered into in 29 October 2019) and issued a total of 163,700,000 shares to raise \$6,450,000.

On 29 April 2021, the Company increased the current Controlled Placement Agreement limit of \$3 million to a new limit of \$15 million and to extend the expiry date to 31 July 2023. The Agreement, provides the Group with standby equity capital of up to \$15m over the period to 31 July 2023. The Group controls all aspects of any such placement under the Agreement. Under the Agreement, the Company issued 95m shares as collateral. These shares were issued at no cost and are similar to treasury shares. The collateral share are cancellable at any time by the Group for no consideration. The collateral shares may be applied by the Group to meet any share issues under the Agreement when subscription monies are received. The Company receives 90% of subscription monies with the remaining 10% retained by the subscriber.

Share Placement Agreement

During the year, the Company entered into a Share Placement Agreement with Battery Metals Capital Group, LLC. The agreement provides for a US\$2 million prepayment of a placement of ordinary shares worth US\$2.18 million. At balance date, Battery Metals had advanced US\$2 million to the Group and new shares to the value of US\$2.18 million had been issued.

The agreement was terminated in January 2021.

Under the agreement, 45,000,000 shares were issued as collateral for nil consideration, and are similar to Treasury shares. On termination of the placement agreement, the collateral shares were XXX raising \$XXX.

Convertible Note Facility

In January 2021, the Company announced a strategic partnership with Piedmont lithium Limited. Under the agreement, Piedmont acquired an initial 9.9% equity interest in Sayona and two unsecured convertible notes, which upon conversion would result in Piedmont being issued a further 10% interest.

In March 2021, the company issued a further two convertible notes to Piedmont, which upon conversion would maintain their 19.9% interest.

Key features of the notes are:

No. of Securities	Tranche A convertible note (convertible into 342,873,866 shares) Tranche B convertible note (convertible into 81,100,000 shares) Tranche C convertible note (convertible into 54,261,687 shares) Tranche D convertible note (convertible into 79,705,861 shares)
Term	5 years
Subscription Price and Face Value	Tranche A convertible note - US\$3,154,439.57 Tranche B convertible note - US\$746,120.00 Tranche C convertible note A\$448,093 Tranche D convertible note A\$2,550,588

SAYONA LIMITED AND CONTROLLED ENTITIES AND CONTROLLED ENTITIES

ABN 26 091 951 978

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: SHARE ISSUES FOR FINANCE FACILITIES (CONTINUED)

Interest	No interest is payable on Tranche A & B convertible notes if completion of the
Security	Unsecured
Conversion Price	Tranche A & B convertible note - US\$0.0092 Tranche C convertible note A\$0.00826 Tranche D convertible note A\$0.032
Conversion	The Subscriber can convert the convertible notes at any time during the Term, provided that the Subscriber must immediately convert the convertible notes if completion of the Project Investment occurs.

Movements in the convertible note facility were as follows:

	<u>Number</u>	<u>A\$</u>
Opening Balance	-	-
Issue of notes	4	8,044,030
Conversion into 557,941,414 ordinary shares (June 2021)	(4)	(8,044,030)
Closing Balance	<u>-</u>	<u>-</u>

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

NOTE 31: COMPANY DETAILS

The registered office and principal place of business is:

Sayona Mining Limited
Unit 68
283 Given Terrace
Paddington Queensland 4064

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS DECLARATION

The Directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Australian Accounting Standards applicable to the Company which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2021 and of the performance of the Consolidated Group for the year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. The Directors have been given the declaration of their Chief Executive Officer and Chief Finance Officer required by section 259A of the Corporations Act 2001.

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



Brett Lynch
Managing Director



Paul Crawford
Director

Dated this: 30th day of September 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sayona Mining Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Independent Auditor's Report to the Members of Sayona Mining Limited
(continued)**

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of exploration and evaluation assets</p> <p>Refer to note 12 (exploration and evaluation assets)</p> <p>As at 30 June 2021 the carrying value of exploration and evaluation assets is \$25,552,728. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 1.</p> <p>This is a key audit matter as this is a significant asset of the Group, and due to the fact that significant judgement is applied in determining whether the capitalized exploration and evaluation assets meet the recognition criteria set out in AASB 6 Exploration for and Evaluation of Mineral Resources.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained evidence as to whether the rights to tenure of the areas of interest remained current at balance date and as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future. • We obtained evidence of the future intention for the areas of interest, including reviewing future budgeted expenditure and related work programs. • We obtained an understanding of the status of ongoing exploration programs, for the areas of interest. • We obtained evidence as to the assumptions made by management in the determination of the recoverable value of the asset.
<p>Increase in issued capital</p> <p>Refer to note 16 (Issued Capital)</p> <p>As at 30 June 2021 the Company's issued capital totalled \$128,727,789, an increase of \$43,797,608 from the prior year. The Company completed numerous share issues in the year totalling 2,684,736,675 shares relating to new issues, exercise of options and exercise of convertible notes. The Group's accounting policy in respect of issued capital & equity settled payments is outlined in Note 1.</p> <p>This is a key audit matter as these share issues are significant to the total shares and equity on issue, the amount of the Group's net assets, and to the Group's business strategies.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained evidence as to whether the share issues were completed in compliance with terms/conditions of share issue documentation. • We obtained evidence as to receipt of new issue subscription monies • We evaluated adequacy of the disclosures of made in the financial statements.

**Independent Auditor's Report to the Members of Sayona Mining Limited
(continued)**

Key audit matter	How our audit addressed the key audit matter
<p>Significant events after balance date</p> <p><i>Refer to note 24 (events after balance date)</i></p> <p>The Group has entered into a number of significant events subsequent to balance date, including issues of shares and completion of various regulatory processes/approvals to proceed with the acquisition of North American Lithium.</p> <p>This is a key audit matter as these events subsequent to balance date are significant to the amounts of the Group's total assets/total liabilities/net assets/equity on issue, and to the Group's business strategies.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained evidence as to the transactions entered into. • We evaluated the adequacy of disclosures made in the financial statements. • We evaluated the accounting treatment of the transactions as an event after balance date pursuant to accounting standard AASB 110.
<p>Preparation of financial statements on a going concern basis</p> <p><i>Refer to note 1 (Continued Operations and Future Funding)</i></p> <p>As at 30 June 2021 the ability of the Group to settle its liabilities and execute its currently planned exploration activities requires additional funds. On the basis of various arrangements currently in place to raise additional capital, and options available to fund the exploration projects, the going concern basis has been adopted in preparing the financial statements.</p> <p>This is a key audit matter as the availability of funds is critical to the continuity of business, and the carrying value and classification of assets and liabilities in the financial statements.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We evaluated management's assessment of the Group's ability to continue as a going concern. • We reviewed the Group's cash flow forecast, including checking the mathematical accuracy, agreed it to be the latest Board approved forecast, and tested the key assumptions used in the forecast. • We performed sensitivity analysis on the cash flow forecast. • We evaluated the adequacy of the disclosures made in the financial statements in relation to going concern.

**Independent Auditor's Report to the Members of Sayona Mining Limited
(continued)*****Other information***

The directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon. The Annual Report will be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**Independent Auditor's Report to the Members of Sayona Mining Limited
(continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Independent Auditor's Report to the Members of Sayona Mining Limited
(continued)****Report on the Remuneration Report*****Opinion on the Remuneration Report***

We have audited the Remuneration Report included in pages 11 to 15 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Sayona Mining Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Migel Bamford

ND Bamford
Director

Level 28, 10 Eagle Street
Brisbane Qld 4000

Date: 30 September 2021