

**SAYONA MINING LIMITED
AND CONTROLLED ENTITIES**

ABN 26 091 951 978

ANNUAL REPORT

2014

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

Your Directors present their report of the Company and its controlled entities for the year to 30 June 2014.

DIRECTORS

The Directors of the Company during or since the end of the financial year are listed below. During the year there were 5 meetings of the full Board of Directors. The meetings attended by each Director were

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
D.C. O'Neill	5	5
P.A. Crawford	5	5
P. van Riet-Lowe (Resigned 7 July 2014)	5	3
W. Osterberg (Resigned 7 July 2014)	5	4
J. G. Allan (Resigned 22 July 2013)	1	1
M. N. Gray (Resigned 22 July 2013)	1	1
A. C. Buckler (Appointed 5 August 2013)	3	3
J. S. Brown (Appointed 12 August 2013)	2	2

All Directors have been in office since the start of the financial year to the date of this report unless indicated otherwise.

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.

COMPANY SECRETARY

Paul Crawford held the position of Company Secretary at the end of the financial period. Mr Crawford is a CPA and holds accounting, company secretarial and business law qualifications. He has been company secretary and a Director of the Company since its incorporation.

PRINCIPAL ACTIVITY

The economic entity's principal activity during the financial year has been completing the recapitalisation of the entity and the identification, assessment and acquisition of suitable mineral exploration assets.

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

REVIEW OF OPERATIONS & OPERATING RESULTS

Operating Results

The entity's consolidated operating profit for the financial year after applicable income tax was \$114,148 (2013: \$630,377 loss). Exploration and evaluation expenditure during the year totalled \$126,620 (2013: \$6,990).

Review of Operations

During the financial year to 30 June 2014, the Company continued working through its restructuring plan with a view to restoring value to shareholders. In July 2013, the Company completed a fully underwritten \$2.0 million capital raising and was reinstated to official quotation on the Australian Securities Exchange.

On 5 November 2013, the Company completed a share consolidation. The consolidation involved the conversion of every 4.3 fully paid ordinary shares into one fully paid ordinary share. The consolidation was approved by a resolution of shareholders at the Company's Annual General Meeting held in October 2013.

The Company is actively assessing projects on a worldwide basis with a view to acquiring an advanced exploration/development project to add to its portfolio of assets. During the quarter the company continued its assessment of projects on a worldwide basis with a view to acquiring an advanced exploration/development project.

Commodity focus has been principally coking coal, direct shipping iron ore and copper. To date, in excess of 30 opportunities have been explored in detail with offers made to a number of parties. Jurisdictions examined have

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

included Canada, Columbia, Brazil, Argentina, Indonesia, Turkey, Sweden, Sub Saharan Africa, Madagascar and various Australian States.

During the first half of the year, the Company commenced field work on the Wills Creek project, a joint operation with Superior Resources Limited (SPQ) in Northwest Queensland. Under the terms of the joint operation, Sayona may have earned a 50% interest in EPM 17012 by spending \$500,000 on exploration over an initial 2 year period and may have earned up to 75% by incurring an additional \$1.5 million of exploration expenditure over the next 2 years. On 17 January 2014 the company withdrew from the Joint Operation as the project did not meet its corporate objectives

In December 2013 Sayona initiated legal proceedings in the High Court in London against Mantle Diamonds Plc for the recovery of USD \$500,000 retained by Mantle as part of warranties and indemnities provisions of the Sale and Purchase agreement for their purchase of the Lerala Diamond mine.

On 24 September 2014 the Company settled its legal proceedings against Mantle Diamonds Limited. Agreement with Mantle and Kimberley Diamonds Limited provided a mutual release of claims by the parties and payment to Sayona of cash and scrip in Kimberley totalling US\$340,000.

Subsequent to the end of the year, Mr Peter van Riet Lowe and Mr Wayne Osterberg resigned as Directors of the Company.

Messrs van Riet-Lowe and Osterberg have been directors since November 2009 and played a major role in the development and implementation of the initial recovery plan of the Company. They have also played an important role in maintaining support for the Company from its Botswana shareholders.

INFORMATION ON DIRECTORS

The names and qualifications of current Directors are summarised as follows

Dennis C O'Neill

Director (Executive)

Qualifications

Bachelor of Science - Geology

Experience

Board member since 2000. Over 40 years experience in exploration project and corporate management. He has held positions with a number of Australian and multinational exploration companies and has managed exploration programs in a diverse range of commodities and locations.

Interest in Shares

29,772,482 ordinary shares, nil options

Directorships in Other
Listed Companies

Altura Mining Limited

Former directorships in
last 3 years

Nil

Paul A Crawford

Director (Executive)

Qualifications

Bachelor of Business – Accountancy; CPA; Master of Financial Management; Graduate Diploma in Business Law; Graduate Diploma in Company Secretarial Practice.

Experience

Board member since 2000. 35 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

19,208,691 ordinary shares, nil options.

Directorships in Other
Listed Companies

Nil

Former directorships in
last 3 years

ActivEX Limited

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

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	81,081,394 ordinary shares, nil options
Directorships in Other Listed Companies	Altura Mining Limited, Interra Resources Limited
Former directorships in last 3 years	Nil

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 25 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	1,248,295 ordinary shares, nil options
Directorships in Other Listed Companies	Altura Mining Limited
Former directorships in last 3 years	Nil

Peter van Riet Lowe

Director (Non-Executive) (Resigned 7 July 2014)

Qualifications	B Com (Hons) (Econ), B Compt (Hons) (Acc.Sci),ACMA, IMC, FCA (Botswana)
Experience	Appointed to the Board on 4 November 2009. Over 30 years experience in accounting and financial services. Founded the Fleming Group in 1992 which has approximately US\$1.2 billion under management
Interest in Securities	29,698 ordinary shares, nil options
Directorships in Other Listed Companies	Chobe Holdings Limited (Botswana)
Former directorships in last 3 years	Nil

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

Wayne Osterberg	Director (Non-Executive) (Resigned 7 July 2014)
Qualifications	BA LLB MBA
Experience	Appointed to the Board on 4 November 2009. Practised law in Zimbabwe before entering stockbroking as an analyst in 1997. Thirteen years experience in the capital markets of Southern Africa and Australia. Currently Chief Operating Officer of Fleming Asset Management Botswana
Interest in Securities	13,953 ordinary shares, nil options
Directorships in Other Listed Companies	Nil
Former directorships in last 3 years	Nil

REMUNERATION REPORT (AUDITED)

This report details the policies, nature and amount of remuneration of each Director and other key executive personnel.

The previous financial position of the Company resulted in the suspension of a number of remuneration arrangements. The Company's remuneration policy ordinarily 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 remuneration structure for executive officers including executive Directors is based on a number of factors including length of service, particular experience of the individual concerned and overall performance of the group.

The Company's policy for determining the nature and amount of remuneration of board members and senior executives of the Company is as follows:

- The remuneration policy setting the terms and conditions for the executive Directors was developed by and approved by non-executive Directors. Historically, Executive Directors receive a base salary, superannuation and fringe benefits and in prior years equity based performance remuneration. Superannuation payments consist of the current superannuation guarantee contribution. Individuals may elect to salary sacrifice part of their salary to increase payments towards superannuation. No other form of retirement benefit is paid. The financial position of the Company has resulted in the limitation of executive appointments.
- Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amounts of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting and are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. The maximum aggregate amount of fees that can be paid to non-executive Directors approved by shareholders is currently \$100,000.
- The Company's remuneration policy does not currently provide for long term incentives.

The Board of Directors is responsible for determining and reviewing the Company's remuneration policy, remuneration levels and performance of both executive and non-executive Directors. Independent external advice will be sought when required. However, no remuneration consultants were engaged during the year.

Director fees were accrued in relation to board meetings held by the Company from when the restructuring plan was approved by shareholders at the general meeting held in March 2011 to 30 June 2013. No fees have been paid or accrued for the current year. The remuneration of each Director and specified executive officers of the consolidated entity during the year was as follows:

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

2014 Key Management Personnel	Short-term Benefits		Post Employment Benefits Superannuation	Long Term Benefits	Total
	Fees and/or Salary	Non-Cash Benefits			
	\$	\$			
D O'Neil (ii)	-	-	-	-	-
P Crawford	-	-	-	-	-
A Buckler (i)	-	-	-	-	-
J Brown (i)	-	-	-	-	-
P Van Riet Lowe (i)	-	-	-	-	-
W Osterberg (i)	-	-	-	-	-
J Allan (i)	-	-	-	-	-
M Gray (i)	-	-	-	-	-
	-	-	-	-	-

2013 Key Management Personnel	Short-term Benefits		Post Employment Benefits Superannuation	Long Term Benefits	Total
	Fees and/or Salary	Non-Cash Benefits			
	\$	\$			
P Van Riet Lowe (i)	15,000	-	-	-	15,000
W Osterberg (i)	15,000	-	-	-	15,000
L Siwana (i)	8,000	-	-	-	8,000
D O'Neil (ii)	13,761	-	1,239	-	15,000
P Crawford (i)	13,761	-	1,239	-	15,000
J Allan (i)	10,000	-	-	-	10,000
M Gray (i)	-	-	-	-	-
S McIntosh	-	-	-	-	-
	75,522	-	2,478	-	78,000

(i) Non-executive Director

(ii) Chief executive officer

Following are employment details of persons who were key management personnel of the group during the financial period.

Key Management Personnel	Position held at 30 June 2014 & change during period	Contract Details	Proportion of Remuneration:		Total
			Related to performance	Not related to performance	
			Options	Salary & Fees	
D O'Neill	Executive Director	No fixed term, termination as provided by Corporations Act	-	100%	100%
P Crawford	Executive Director Company Secretary	No fixed term, termination as provided by Corporations Act	-	100%	100%
A Buckler	Non-executive Director from 5 August 2013	No fixed term, termination as provided by Corporations Act	-	100%	100%

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

Key Management Personnel	Position held at 30 June 2014 & change during period	Contract Details	Proportion of Remuneration:		Total
			Related to performance	Not related to performance	
			Options	Salary & Fees	
J Brown	Non-executive Director from 12 August 2013	No fixed term, termination as provided by Corporations Act	-	100%	100%
P van Riet-Lowe	Non-executive Chairman resigned 7 July 2014	No fixed term, termination as provided by Corporations Act	-	100%	100%
W Osterberg	Non-executive Director resigned 7 July 2014	No fixed term, termination as provided by Corporations Act	-	100%	100%
J Allan	Non-executive Director resigned 23 July 2013	No fixed term, termination as provided by Corporations Act	-	100%	100%
M Gray	Non-executive Director resigned 23 July 2013	No fixed term, termination as provided by Corporations Act	-	100%	100%

Options or shares granted as remuneration to Key Management Personnel

No options or shares were granted as remuneration in the current year or the 2013 year.

Employment Contract of Key Management Personnel

The executive functions of the Company over the year were undertaken by directors, Dan O'Neill and Paul Crawford. There are no employment agreements with either person and services provided during the year have been on a no fee basis.

Once a suitable project has been acquired, the Company will negotiate service agreements with Messrs O'Neill and Crawford in relation to future services. No agreements have been entered into at the date of this report.

Remuneration and all other transactions with key management personnel are on normal commercial terms and conditions. Notes 5 and 18 in the financial statements detail equity interests and other transactions.

FINANCIAL POSITION

The Directors believe that the group is in a stable financial position.

At 30 June 2014, the Company's Statement of Financial Position shows total assets of \$1,578,177, of which \$1,201,357 was cash, total liabilities of \$219,146 and net assets of \$1,359,031. There is no committed exploration & evaluation expenditure.

DIVIDENDS

No dividends were declared or paid during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The economic entity's activities have focussed on completion of the Recovery Plan and acquisition of a suitable development project. Significant changes during the year include:

- In July 2013 the Company issued 840,000,000 shares at \$0.002 per share pursuant to the underwritten capital raising.

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

- On 30 July 2013 the Company's shares were reinstated to official quotation on ASX.
- On 31 July 2013 the Company issued 18,750,000 shares at \$0.002 per share pursuant to the underwriting agreements.
- In August 2013 Messrs Allan Buckler and James Brown were appointed non-executive Directors of the Company.
- In November 2013, the Company completed a share consolidation. The consolidation involved the conversion of every 4.3 fully paid ordinary shares into one fully paid ordinary share.
- Write-back (Impairment) of the receivable for deferred sale consideration of \$398,343 following the crystallisation of the settlement of the Mantle claim subsequent to the end of the financial year.

Further details are provided in the Review of Operations and Operating Results above.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Key events since balance date have been:

- On 7 July 2014 Messrs Peter van Riet Lowe and Mr Wayne Osterberg resigned as non-executive directors of the Company.
- On 24 September 2014 the Company settled its legal proceedings against Mantle Diamonds Limited. Agreement with Mantle and Kimberley Diamonds Limited provided a mutual release of claims by the parties and payment to Sayona of cash and scrip in Kimberley totalling US\$340,000.

Other than as set out in this report and the attached financial statements no matters or circumstances have arisen since 30 June 2014, 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.

LIKELY DEVELOPMENTS

During the year, Directors have assessed the acquisition of a number of projects in various jurisdictions. The Company is assembling a portfolio of exploration assets to continue its previous exploration and development activities. The Company is also assessing other projects with a view to acquiring an advanced exploration and/or development project which Directors feel will restore value to shareholders.

BUSINESS RISKS

The main exposure to business risks that may affect the Group's ability to achieve its aims are:

- the Group's ability to identify and acquire an interest in a project capable of meeting the Group's development objectives; and
- the ability to raise additional funds in the future.

ENVIRONMENTAL REGULATION

The Company is not subject to any significant environmental regulation under the law of the Commonwealth and a State or Territory.

SHARE OPTIONS

At the date of this report there are no unissued ordinary shares of the Company under option. No options have been issued or exercised during the financial year or since year end to the date of this report.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since the end of the reporting period.

INDEMNIFICATION OF DIRECTORS AND AUDITORS

The economic entity 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.

SAYONA MINING LIMITED
ABN 26 091 951 978

DIRECTORS' REPORT

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.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability the Directors of Sayona Mining Limited support and where practicable or appropriate have adhered to the ASX Principles of Corporate Governance. The Company's Corporate Governance statement is contained within this annual report.

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.

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



Dennis O'Neill
Director



Paul Crawford
Director

Signed: 30 September 2014
Brisbane, Queensland



Hayes Knight
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
ABN 49 115 261 722
Registered Audit Company 299289
Level 23, 10 Eagle Street, Brisbane Qld 4000
GPO Box 1189, Brisbane Qld 4001
T: +61 7 32292022 F: +61 7 32293277
E: email@hayesknichtqld.com.au
www.hayesknicht.com.au

Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

To the Directors of Sayona Mining Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 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.

Hayes Knight Audit (Qld) Pty.Ltd.

Hayes Knight Audit (Qld) Pty Ltd

Robertson.

A M Robertson
Director

Date: 30 September 2014

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

**STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
for the year ended 30 June 2014**

	Note	Consolidated Group 2014 \$	2013 \$
Revenue and other income	2	39,427	74,073
Less expenses:			
Administrative expenses		(344,563)	(153,145)
Restructure costs written back/(expensed)		190,738	(32,185)
Employee benefit expense		-	(78,000)
Write-off of receivable for deferred sale consideration		(37,179)	-
Exploration expenditure expensed during year		(126,620)	(6,990)
Finance costs		-	(23,522)
Foreign exchange losses		(5,998)	-
Write-back (Impairment) of receivable for deferred sale consideration		398,343	(410,608)
Profit or (Loss)before income tax	3	114,148	(630,377)
Income tax expense	4	-	-
Profit or (Loss)for the year		114,148	(630,377)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translation of foreign controlled entities, net of tax	4(b)	22,563	(14,701)
Other Comprehensive income for the year net of tax		22,563	(14,701)
Total comprehensive profit or (loss)attributable to members		136,711	(645,078)
Earnings per Share			
Basic earnings per share (cents per share)	6	0.03	(0.36)
Diluted earnings per share (cents per share)	6	0.03	(0.36)
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 2014**

		Consolidated Group	
	Note	2014	2013
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	1,201,357	1,867,893
Trade and other receivables	9	367,625	10,294
Other assets	10	5,164	775
Total Current Assets		1,574,146	1,878,962
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,031	-
Total Non-Current Assets		4,031	-
TOTAL ASSETS		1,578,177	1,878,962
CURRENT LIABILITIES			
Trade and other payables	12	103,896	2,142,644
Borrowings	13	115,250	194,998
Total Current Liabilities		219,146	2,337,642
TOTAL LIABILITIES		219,146	2,337,642
NET ASSETS		1,359,031	(458,680)
EQUITY			
Issued capital	14	50,039,511	48,358,511
Reserves	15	(4,527,230)	(4,288,794)
Accumulated losses		(44,153,250)	(44,528,397)
TOTAL EQUITY		1,359,031	(458,680)

The accompanying notes form part of these financial statements.

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

**STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2014**

Consolidated Group	Note	Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2012		48,039,511	(43,898,020)	(4,535,092)	260,999	(132,602)
Comprehensive Income						
Loss attributable to members of entity		-	(630,377)	-	-	(630,377)
Other comprehensive income for the year		-	-	(14,701)	-	(14,701)
Total comprehensive income for the year		-	(630,377)	(14,701)	-	(645,078)
Shares issued during the period	14	331,500	-	-	-	331,500
Transaction costs		(12,500)				(12,500)
Balance at 30 June 2013		48,358,511	(44,528,397)	(4,549,793)	260,999	(458,680)
Comprehensive Income						
Profit attributable to members of entity		-	114,148	-	-	114,148
Other comprehensive income for the year		-	-	22,563	-	22,563
Total comprehensive income for the year		-	114,148	22,563	-	136,711
Reserve transferred to retained earnings			260,999		(260,999)	-
Shares issued during the period	14	1,718,500	-	-	-	1,718,500
Transaction costs		(37,500)				(37,500)
Balance at 30 June 2014		50,039,511	(44,153,250)	(4,527,230)	-	1,359,031

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 2014**

		Consolidated Group	
	Note	2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(622,088)	(275,243)
Interest received		39,427	2
Net cash provided by (used in) operating activities	17	(582,661)	(275,241)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,172)	-
Net cash provided by (used in) investing activities		(5,172)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	78,500
Repayment of borrowings		(78,500)	-
Proceeds from issue of shares		-	319,000
Proceeds from share applications received		-	1,681,000
Net cash provided by (used in) financing activities		(78,500)	2,078,500
Net increase (decrease) in cash held		(666,333)	1,803,259
Cash at beginning of financial year		1,867,893	65,359
Effect of exchange rates on cash holdings in foreign currencies		(203)	(725)
Cash at end of financial year	8	1,201,357	1,867,893

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 financial year ended 30 June 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Sayona Mining Limited 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 24.

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.

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 (including any structured entities). 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 16.

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.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Income Tax

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

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

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

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

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

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, branches, associates, and joint ventures, 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.

Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

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 either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

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

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for plant and equipment are in the range between 20% and 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

Where the company 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

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

The company 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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Impairment of Assets

At the end of each reporting period, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. 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 practicable to estimate the recoverable amount of an individual asset the consolidated group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

The only joint operations the Group has entered into are "farm-in" and "farm-out" arrangements as discussed in note 1 under Exploration and Evaluation Assets.

Fair Value of Assets and Liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis after initial recognition, depending in the requirements of the applicable Accounting Standard. Currently though there are no assets or liabilities measured at fair value.

Fair value is the price the Company would receive to see 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.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuations techniques maximise, to the extent possible, the use of observable market data.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Financial Instruments

Initial Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

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

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

ii. Available-for-sale investments

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

iii. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Guarantees

Where material, financial guarantees issued, that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default

The guarantee is subsequently measured at the higher of the best estimate of the obligation, in accordance with AASB137: Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Equity Settled Compensation

The company makes equity-settled share-based payments to directors, employees and other parties for services provided or the acquisition of exploration assets. The fair value of the equity is measured at grant date and recognised as an asset or as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a binomial lattice pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the fair market value of services rendered by other parties can be reliably determined, this is used to measure the equity-settled payment. The fair value of options granted to directors and employees is deemed to represent the value of the services received over the vesting period.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The equity component of compound financial instruments issued by the group is determined in accordance with the substance of the contractual arrangement.

Revenue and Other Income

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

Borrowing Costs

All borrowing costs are recognised in income in the period in which they are incurred.

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 Australian Taxation Office (ATO).

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 ATO 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 which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Comparative Figures and Financial Period

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 is 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.

The consolidation of shares in November 2013 was an adjusting event.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated group.

Key estimates/judgments taken in preparation of the financial statements relate to the carrying value of receivables. As outlined in note 9, the deferred sale consideration receivable is recoverable in foreign currency and is to be settled by 1 October 2014.

New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

AASB 2013-5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an “investment entity” and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group’s financial statements.

New and Amended Accounting Policies Adopted

AASB 119: Employee Benefits (September 2011). AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly within 12 months after the end of the annual reporting period, in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees.

The company has determined that it expects most employee benefits to be taken within 24 months of the reporting period in which they were earned, but this change does not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements. These changes did not impact the Company's financial statements.

AASB 11: Joint Arrangements and AASB 128 Investments in Associates and Joint Ventures. AASB 11 removes the option for joint operations to be accounted for using the proportionate consolidation method, a requirement which has not affected the company. These changes did not impact the company's financial statements

AASB 13: Fair Value Measurement AASB 13 refines the requirements for determining fair value as a measurement and captures the requirements for fair value measurement in a single standard. As a result the measurement of certain assets of an entity measured at fair value may be affected. It is deemed that there was no impact on the accounts. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value, and fair values disclosed in the company's financial statements.

NOTE 2: REVENUE AND OTHER INCOME

	2014	2013
	\$	\$
Other income:		
Foreign exchange gains	-	50,549
Interest received from other persons	39,427	7,604
Gain on settlement of Deed of Novation	-	15,920
Total revenue and other income	39,427	74,073

NOTE 3: PROFIT/(LOSS) FOR THE YEAR

(i) Expenses:

Included in expenses are the following items:

Foreign currency translation losses	5,998	-
Exploration expenditure expensed during year	126,620	-
Write-off of receivable for deferred sale consideration	37,179	-
Depreciation	1,141	-
Impairment/(write-back) of receivable for deferred sale consideration (a)	(398,343)	410,608
Finance costs:		
- interest paid and payable to external parties	-	23,522

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 3: PROFIT/(LOSS) FOR THE YEAR(continued)

- (a) The US\$375,000 receivable for deferred sale consideration, arising from the sale of DiamonEx Botswana Limited Mantle Diamonds Limited (Mantle) was impaired in the last financial year due to uncertainty about its recoverability. The Company initiated legal proceedings to recover the deferred sale consideration in December 2013.

On 24 September 2013, the Company entered into an Agreement with Mantle and Kimberley Diamonds Limited to settle the legal proceedings. The Agreement provides for a mutual release of claims by the parties and payments to the Company totalling US\$340,000 by 1 October 2014.

(ii) Significant Revenue and Expenses:

	2014	2013
	\$	\$
The following significant revenue and expense items are relevant in explaining the financial performance:		
Exploration & evaluation expenditure expensed during the year	(126,620)	(6,990)
Write-back (Impairment) of recoverable for deferred sale consideration	398,343	(410,608)
Restructure costs written back/(expensed)	190,738	(32,185)

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/(benefit) on loss from ordinary activities before income tax at 30% (2013: 30%). (Australian domestic rate)	34,244	(189,113)
---	--------	-----------

Adjust for tax effect of:

Tax losses and temporary differences not brought to account	(3,675)	177,168
Non-allowable items	(24,851)	12,044
Effects of different tax rates on foreign tax losses / (gains)	(5,718)	(99)
Income tax expense/(benefit) attributable to entity	-	-
Weighted average effective tax rate	0.00%	0.00%

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	4,459	-
Tax losses - Revenue	5,253,585	5,214,944
Tax losses - Capital	6,736,405	6,736,405
Net unbooked deferred tax asset	11,994,449	11,951,349

The Company has unconfirmed, Australian carry forward losses for revenue of \$17,511,949 (2013: \$17,383,146) and for capital of \$22,454,683 (2013: \$22,454,683). In addition, the economic entity has USA carry forward losses which are quarantined under Australian tax legislation and are only available to be offset against future taxable income derived in the USA. These will be offset against the 2014 USA taxable income A\$114,356.

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.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 4: INCOME TAX EXPENSE (continued)

(b) Tax effects relating to each component of other comprehensive income:

2014	Before Tax \$	Tax expense \$	Net of Tax \$
Exchange differences on translating foreign controlled entities	22,563	-	22,563
2013	Before Tax \$	Tax expense \$	Net of Tax \$
Exchange differences on translating foreign controlled entities	(14,701)	-	(14,701)

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY

	2014 \$	2013 \$
Key management personnel compensation		
Short-term employee benefits	-	75,522
Post-employment benefits	-	2,478
Other long-term benefits	-	-
Share-based payments	-	-
Total KMP compensation	-	78,000

Short-term employee benefits

These amounts include fees and benefits paid to the directors.

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 option, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Directors' Report.

NOTE 6: EARNINGS PER SHARE

The earnings figures used in the calculation of both the basic EPS and the dilutive EPS are the same.	2014 No.	2013 No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	392,846,770	173,286,377
Weighted average number of dilutive securities outstanding.	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted EPS	392,846,770	173,286,377

As discussed in Note 14, the company completed a share consolidation in November 2013. In accordance with Australian Accounting Standards, the weighted average number of shares issued during the period has been adjusted to calculate the EPS for the current and corresponding period.

At balance date there are no securities considered as potential ordinary shares in determination of diluted EPS.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 7: AUDITORS' REMUNERATION

	2014 \$	2013 \$
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	39,500	37,000
- other assurance services	4,500	-

Other assurance services relate to the review of the Company's proforma financial report submitted to the ASX.

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,201,357	35,925
Share applications funds held, pending allotment	-	1,831,968
	1,201,357	1,867,893

The effective interest rate was 3.3% (2013: nil).

A term deposit of \$10,000 is secured against a bank guarantee for \$10,000 (Refer note 19).

NOTE 9: TRADE AND OTHER RECEIVABLES

Current (unsecured):

Deferred sale consideration (a)	361,164	410,608
Less: Provision for impairment	-	(410,608)
	361,164	-
Other Debtors	6,461	10,294
	367,625	10,294

- (i) The Group has significant credit risk exposure arising from the deferred receivable of US\$340,000 from Mantle Diamonds Plc. This relates to cash withheld from the sale proceeds of DiamonEx Botswana Limited.

On 24 September 2013, the Company entered into an Agreement with Mantle and Kimberley Diamonds Limited to settle the legal proceedings. The Agreement provides for a mutual release of claims by the parties and payments to the Company totalling US\$340,000 by 1 October 2014.

NOTE 10: OTHER ASSETS

	2014 \$	2013 \$
Current:		
Prepayments	5,164	775

NOTE 11: PLANT & EQUIPMENT

Plant and equipment

At cost	5,172	-
Accumulated depreciation	(1,141)	-
Total plant and equipment	4,031	-

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 11: PLANT & EQUIPMENT (continued)

	2014	2013
	\$	\$
Reconciliation of the carrying amounts for property, plant and equipment:		
Balance at the beginning of year	-	-
Additions	5,172	-
Disposals	-	-
Depreciation expense	(1,141)	-
Carrying amount at the end of year	4,031	-

NOTE 12: TRADE AND OTHER PAYABLES

Current:

Trade creditors	25,896	283,465
Sundry creditors and accrued expenses	15,000	100,179
Related parties	63,000	78,000
Share applications funds held pending allotment (a)	-	1,681,000
Total trade & other payables (unsecured)	103,896	2,142,644

- (a) In August 2013 the Company issued 840,500,000 shares at \$0.002 per share in relation to these share application funds received.

Financial liabilities at amortised cost classified as trade and other payables:

Trade and other payables	25,896	283,465
Sundry creditors and accrued expenses	15,000	100,179
Related parties	63,000	78,000
Financial liabilities as trade and other payables (refer Note 20)	103,896	461,644

NOTE 13: BORROWINGS

Current:

Unsecured loan Flamenco (Pty) Ltd - expense funding	30,270	28,901
Secured loan Flamenco (Pty) Ltd - working capital (a)	84,980	87,597
Unsecured loan from Directors	-	53,500
Unsecured loan from shareholder	-	25,000
	115,250	194,998

(a) Flamenco (Pty) Ltd loan security

A Deed of Loan and Security between Sayona Mining Limited and Flamenco (Pty) Ltd provided for a working capital loan of US\$80,000 secured against monies owing to Sayona from Mantle Diamonds Plc.

The expense funding provided by Flamenco is unsecured.

NOTE 14: ISSUED CAPITAL

	2014	2013
	\$	\$
405,534,809 (2013: 884,450,924) fully paid ordinary shares	50,039,511	48,358,511
Ordinary shares		
Balance at the beginning of the reporting period	48,358,511	48,039,511
Shares issued during the year:		331,500
23 July 2013 - 840,500,000 ordinary shares at \$0.002 each (a)	1,681,000	-
31 July 2013 - 18,750,000 ordinary shares at \$0.002 each (b)	37,500	-
Transaction costs relating to share issues (b)	(37,500)	(12,500)
Balance at reporting date	50,039,511	48,358,511

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 14: ISSUED CAPITAL (continued)

	2014	2013
	No	No
Balance at the beginning of the reporting period	884,450,924	718,700,924
Shares issued during the year:	-	165,750,000
23 July 2013	840,500,000	-
31 July 2013	18,750,000	-
Share consolidation undertaken during the year:		
5 November 2013	(c) (1,338,166,115)	-
Balance at reporting date	405,534,809	884,450,924

- (a) Issued to parties as a placement of shares, pursuant to a resolution passed at the Company's Annual General Meeting held on 5 April 2013.
- (b) Issued in settlement of underwriting fees. Refer Note 17(b)(i) and (ii).
- (c) In November 2013, the Company completed a share consolidation. The consolidation involved the conversion of every 4.3 fully paid ordinary shares into one fully paid ordinary share. The consolidation was approved by a resolution of shareholders at the Company's Annual General Meeting held on 23 October 2013.

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.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital or par value in respect of its issued shares.

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.

During the year, the capital management activities of the Group have focussed on continuing the Recovery Plan and developing a capital management structure to complete the Company reconstruction. This culminated with the Company being relisted on the Australian Securities Exchange in July 2013.

There are no externally imposed capital requirements.

The changes to capital management policies relate to the fact that the Company now has funds to invest whilst funding exploration.

NOTE 15: RESERVES

Foreign currency translation reserve:

The foreign currency translation reserve records 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.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 16: FINANCIAL ASSETS

Non-current:	2014	2013
Available for sale investments	\$	\$
Shares in Unlisted Group Entities:		
Lake Exploration Pty Ltd, incorporated in Australia. The parent entity holds 100% (2013: 100%) of the ordinary shares of the entity, carried at recoverable amount	-	-
DiamonEx (USA) Limited, incorporated in Wyoming, USA. The parent entity holds 100% (2013: 100%) of the ordinary shares of the entity, carried at recoverable amount	-	-
Total available for sale investments	-	-

NOTE 17: CASH FLOW INFORMATION

	2014	2013
	\$	\$
(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax:		
Profit/(Loss) from ordinary activities after income tax	114,148	(630,377)
Non-cash flows in profit from ordinary activities:		
Depreciation	1,141	-
Restructure costs written back	(190,738)	-
Impairment of receivables writeback	(398,343)	410,608
Write-off of deferred sale consideration receivable	37,179	-
Unrealised foreign exchange (gain)/loss	5,998	(50,549)
Gain on settlement of Deed of Novation	-	(15,920)
Interest receivable from party to Deed of Novation foregone on settlement	-	(7,602)
Interest payable to party to Deed of Novation foregone on settlement	-	23,522
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	3,833	12,337
(Increase)/Decrease in prepayments and inventory	(4,389)	(775)
(Decrease)/Increase in creditors and accruals	(151,490)	(16,485)
Cash flows from operations	(582,661)	(275,241)

(b) Non-cash Financing and Investing Activities

- (i) During the current year, 18,750,000 (2013: 6,250,000) shares were issued at an exercise price of \$0.002 per share (2013:\$0.002 per share) in settlement of underwriting fees, pursuant to underwriting agreements entered into in relation to a placement approved by shareholders at the Company's 2013 annual general meeting.
- (ii) During the 2013 year 34,500,000 shares were issued at an exercise price of \$0.002 per share to convert director loans to equity.

NOTE 18: RELATED PARTY TRANSACTIONS

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

Controlled Entities

The parent entity's shareholding in the controlled entities is detailed in Note 16.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 18: RELATED PARTY TRANSACTIONS (continued)

Key management personnel transactions with the Group

For key management personnel compensation and equity interests, refer to Note 5.

During the current year, the parent entity engaged Cambridge Business & Corporate Services, an entity controlled by Mr Paul Crawford, a director of the company to provide accounting, company secretarial, financial management and other services. No fees were incurred during the current year (2013: nil). No amount was owed by the company at 30 June (2013: nil).

During the 2013 year, the following Directors provided loans to the Company on an interest free, unsecured short term basis.

	D C O'Neill \$	P A Crawford \$	A C Buckler \$
Loan funds	35,000	62,500	25,000
Converted to equity on share application (a)	(30,000)	(14,000)	(25,000)
Balance 30 June 2013	5,000	48,500	-
Amounts repaid	(5,000)	(48,500)	-
Balance 30 June 2014	-	-	-
	No	No	No

(a) Number of shares issued to convert loans to equity	15,000,000	7,000,000	12,500,000
--	------------	-----------	------------

During the prior year, the Company fully impaired the deferred consideration receivable (\$410,608) from Mantle Diamonds Plc from the sale of DiamonEx Botswana Limited. Mr Peter van Riet-Lowe, a former director of the Company was also a director of Mantle at the time. During the year, foreign currency gain of \$12,265 reduced the provision for impairment to \$398,343.

During the 2013 year Mr Crawford paid expenses on behalf of the Company of \$184. The balance outstanding at the end of the financial year was nil (2013: \$9,205).

On 31 July 2013, the Company issued 18,750,000 shares equally to entities associated with Directors Messrs Paul Crawford and Dan O'Neill in settlement of underwriting fees associated with a placement of shares. This was approved by shareholders in General Meeting on 5 April 2013. Refer Note 22.

During the prior year the Company issued 6,250,000 shares equally to entities associated with Directors Messrs Paul Crawford and Dan O'Neill in settlement of underwriting fees associated with a placement of shares. This was also approved by shareholders in General Meeting on 5 April 2013. Refer Note 22.

NOTE 19: COMMITMENTS

	2014 \$	2013 \$
Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:		
Not later than 1 year	35,690	-
Later than 1 year but not later than 5 years	46,485	-
Total commitment	82,175	-

The lease is supported by a bank guarantee for \$10,000. The bank guarantee is in turn supported by a charge over a term deposit of \$10,000. Refer Note 8.

The consolidated group has no other commitments at balance date.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 20: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and leases.

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) of Note 20.

Financial Risk Management Policies

The company's financial instruments mainly comprise cash balances, receivables, payables and borrowings. The main purpose of these financial instruments is to provide finance for company operations.

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

(a) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk arises from exposures to deposits with financial institutions and sundry receivables.

Credit risk is managed and reviewed regularly by the Board. It arises from exposures to joint venture partner receivables and through deposits with financial institutions. The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised; and
- all joint venture partners are rated for credit worthiness taking into account their size, market position and financial standing.

The carrying amount of receivables recorded in the financial statements represents the Company's maximum exposure to credit risk. Refer Note 9.

(b) Liquidity Risk

Liquidity risk is the risk that the company will not be able to 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 Company's reputation.

The Company received \$1,681,000 in share application monies in June 2013 and these monies were converted to issued shares prior to the company's relisting on the ASX in July 2013. These funds have supported the Company's operations.

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

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 20: FINANCIAL RISK MANAGEMENT (continued)

Financial instrument composition and contractual maturity analysis

The table below reflects an undiscounted contractual maturity analysis for 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
2014	\$	\$	\$	\$
Financial assets				
Cash & cash equivalents (a)	1,201,357	-	-	1,201,357
Receivables (b)	367,625	-	-	367,625
	1,568,982	-	-	1,568,982
Financial liabilities				
Payables (b)	103,896	-	-	103,896
Borrowings (b)	115,250	-	-	115,250
	219,146	-	-	219,146
Net cash outflow	1,349,836	-	-	1,349,836
Consolidated Group	1 year or less	1 to 2 years	More than 2 years	Total
2013	\$	\$	\$	\$
Financial assets				
Cash & cash equivalents (a)	1,867,893	-	-	1,867,893
Receivables (b)	10,294	-	-	10,294
	1,878,187	-	-	1,878,187
Financial liabilities				
Payables (b)	461,644	-	-	461,644
Borrowings (b)	141,498	-	-	141,498
	603,142	-	-	603,142
Net cash outflow	1,275,045	-	-	1,275,045

(a) Floating interest with a weighted average effective interest rate of 3.3% (2013: 2%)

(b) Non-interest bearing

(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 US Dollar and the Botswana Pula. No derivative financial instruments are employed to mitigate the exposed risks. This is the Group's current policy and it is reviewed regularly including forecast movements in these currencies by the senior executive team and the Board.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 20: FINANCIAL RISK MANAGEMENT (continued)

These foreign exchange risks arise from

- Previous Group activity and expense funding in Botswana which are denominated in Botswana Pula,
- Previous Group activity in USA which are denominated in US dollars,
- Amount receivable on the sale of DBL, denominated in US dollars,
- Loan funds in US dollars.

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

	USD	BWP
	2014	2014
Cash and cash equivalents	-	-
Receivables	340,000	-
Payables	-	-
Borrowings	(80,000)	(247,018)
Net exposure	260,000	(247,018)
	USD	BWP
	2013	2013
Cash and cash equivalents	1,110	-
Receivables	-	-
Payables	(126,156)	(633,831)
Borrowings	(80,000)	(253,343)
Net exposure	(205,046)	(887,174)

(d) Sensitivity analysis

If the spot Australian Dollar rate weakened / strengthened 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 \$13,809 higher / lower (2013: \$11,226).

If the spot Australian Dollar rate weakened / strengthened by 5 percent against the Botswana Pula, with all other variables held constant, the Group's post-tax result for the year would have been \$1,514 lower/higher (2013: \$5,190).

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 +/- \$11,164 (2013: \$17,799).

(e) Fair Values

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet 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 (level 2 fair value hierarchy, observable inputs, income approach-amortised cost).

NOTE 21: CONTINGENT LIABILITIES

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

NOTE 22: SHARE BASED PAYMENTS

On 31 July 2013, the Company issued 18,750,000 shares to related parties in settlement of underwriting fees associated with a placement of shares. The issue of shares was approved by shareholders in General Meeting on 5 April 2013.

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 22: SHARE BASED PAYMENTS (continued)

During the previous financial year, the Company issued 6,250,000 shares to related parties in settlement of underwriting fees associated with a placement of shares. The issue of shares was approved by shareholders in General Meeting on 5 April 2013.

The weighted average fair value of those equity instruments determined by reference to market price was \$0.002. These shares were issued to related parties and are detailed in Note 18.

No options are currently granted are over ordinary shares in the Company.

	D C O'Neill \$	P A Crawford \$	A C Buckler \$
Loan funds	35,000	62,500	25,000
Converted to equity on share application (a)	(30,000)	(14,000)	(25,000)
Balance 30 June 2013	5,000	48,500	-
Amounts repaid	(5,000)	(48,500)	-
Balance 30 June 2014	-	-	-
	No	No	No
Number of shares issued to convert loans to equity	15,000,000	7,000,000	12,500,000

NOTE 23: EVENTS AFTER BALANCE SHEET DATE

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

- (i) On 9 July 2014 Messrs Peter van Riet-Lowe and Wayne Osterberg resigned as non-executive directors of the Company.
- (ii) On 24 September 2014 the Company settled its legal proceedings against Mantle Diamonds Limited. Agreement with Mantle and Kimberley Diamonds Limited provided a mutual release of claims by the parties and payment to Sayona of cash and scrip in Kimberley totalling US\$340,000.

This financial report was authorised for issue on 29 September 2014 by the Board of Directors.

NOTE 24: PARENT ENTITY INFORMATION

The following information relates to the parent entity. This information has been prepared using consistent accounting policies as presented in note 1.

	2014 \$	2013 \$
STATEMENT OF FINANCIAL POSITION		
Current assets	1,574,706	1,877,743
Non-current assets	4,031	563
Total assets	1,578,737	1,878,306
Current liabilities	219,146	2,199,507
Non-current liabilities	-	-
Total liabilities	219,146	2,199,507
Contributed equity	50,039,511	48,358,511
Reserves	-	260,999
Accumulated losses	(48,679,920)	(48,940,711)
Total equity	1,359,591	(321,201)
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME		
Total loss for the year	(208)	(632,351)
Total other comprehensive income	-	-
Total comprehensive loss for the year	(208)	(632,351)

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 24: PARENT ENTITY INFORMATION (continued)

Guarantee

During the reporting period, the parent company entered into an operating lease in relation to office space. The lease is supported by a bank guarantee for \$10,000. The bank guarantee is in turn supported by a charge over a term deposit of \$10,000. Refer Note 8.

Contingent Liabilities

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

NOTE 25: JOINT VENTURE ARRANGEMENTS

During the year, the Company terminated discussions in respect of the Heads of Agreement with Azimuh Investments (Pty) Ltd and withdrew from the Joint Venture Agreement with Superior Resources Limited as the project did not meet its corporate objectives.

During the year, \$48,437 was expended and subsequently expensed on the Superior Resources Limited joint operation. The Company had no other joint venture operations at balance date.

NOTE 26: SEGMENT REPORTING

The economic entity operates internationally, in the mineral exploration industry. The exploration focus is exclusively on diamonds. In the current financial circumstances though, all activity has ceased and segment reporting is based on whole of entity. Geographical segment information is as follows:

Primary Reporting: Geographical Segments

	Australia		USA		Consolidated Group	
	2014	2013	2014	2013	2014	2013
	\$	\$			\$	\$
REVENUE						
Revenue	39,427	74,073	-	-	39,427	74,073
Total revenue from ordinary activities	39,427	74,073	-	-	39,427	74,073
RESULT						
Profit/(Loss) from ordinary activities before income tax expense	(208)	(632,351)	114,356	1,974	114,148	(630,377)
Income tax expense	-	-	-	-	-	-
Profit/(Loss) from ordinary activities after income tax expense	(208)	(632,351)	114,356	1,974	114,148	(630,377)
ASSETS						
Segment assets	1,578,177	1,877,746	-	1,216	1,578,177	1,878,962
LIABILITIES						
Segment liabilities	219,146	2,199,507	-	138,135	219,146	2,337,642

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

**Notes to the Financial Statements
for the financial year ended 30 June 2014**

NOTE 27: COMPANY DETAILS

The registered office and principal place of business is:

Sayona Mining Limited
Suite 68
283 Given Terrace
Paddington Queensland 4064
Australia

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 Accounting Standards 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 2014 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 declarations by 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.



Dennis O'Neill
Director



Paul Crawford
Director

Dated this: 30th day of September 2014



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAYONA MINING LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Sayona Mining Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

Opinion

In our opinion:

- a. the financial report of Sayona Mining Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion the remuneration report of Sayona Mining Limited for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.

Hayes Knight Audit (Qld) Pty Ltd.

Hayes Knight Audit (Qld) Pty Ltd

AM Robertson.

AM Robertson
Director

Level 23, 10 Eagle Street
Brisbane, QLD, 4000

Date: 30 September 2014

SAYONA MINING LIMITED

ABN 26 091 951 978

CORPORATE GOVERNANCE STATEMENTS

Sayona Mining Limited (“Sayona Mining” or “Company”) is committed to implementing the highest standards of corporate governance and to determine these standards, the Company has used the reporting recommendations set out by the Australian Securities Exchange (ASX) Corporate Governance Council’s *Corporate Governance Principles and Recommendations* (ASX Principles and Recommendations) as the basis for its corporate governance policies.

While seeking to implement optimal corporate governance practices, the Company does not accept that all the recommendations are applicable to the Company due to the current size and nature of its operations. Where the Company has not fully adopted the relevant recommendation, the reasons for non-adoption are set out below.

To assist the Board carry out its functions, it has developed a Corporate Governance Manual to guide the Non-Executive Directors, the Executive Director and other key senior executives in the performance of their roles.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Pursuant to Principle 1, the Company has established the functions reserved to the Board and established the functions delegated to senior executives. The Board of Directors’ role is to govern the Company rather than to manage it and to ensure that it represents effectively the interests of all shareholders. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is currently the role of the Executive Director to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of the Executive Director in carrying out these delegated duties.

1.1 Companies should establish the functions reserved for the Board and those delegated to the senior executives and disclose those functions.

It is the role of the board to protect and enhance long-term shareholder value, provide strategic direction for the Company, establish goals for management and monitor the achievement of those goals.

The Company has developed a Statement of matters reserved for the Board which documents the role and responsibilities of the Board. The board’s responsibilities include:

- Supervising the Company’s framework of control and accountability systems to enable risk to be assessed and managed;
- Ensuring the Company is properly managed;
- Approving the annual budget, major capital expenditure, capital management, and acquisitions and divestments;
- Monitoring the financial performance of the Company;
- Approving and monitoring financial and other reporting;
- Liaising with the Company’s external auditors and Audit Committee; and
- Monitoring the environmental and the occupational health and safety performance of the Company.

In addition, the non-executive directors are responsible for reviewing and challenging executive performance. The Managing Director is responsible for running the affairs of the Company under delegated authority from the board and to implement the policies and strategy set by the board. The role of management is to support the Managing Director and implement the running of the general operations and financial business of the Company.

Newly appointed Directors are provided with formal appointment letters setting out the key terms and conditions regarding their appointment. Similarly senior executives (including the Executive Director) are provided with formal appointment letters making clear the responsibilities of their role, remuneration, appointment term and entitlements on termination.

1.2 Companies should disclose the process for evaluating the performance of senior executives

The remuneration structure for executive officers is based on a number of factors, including length of service, particular experience of the individual concerned and the overall performance of Sayona Mining.

Senior executives’ performance is reviewed against a range of quantitative and qualitative measures and considers past performance of Sayona Mining as well as the executive and also takes into account market practice with respect to comparable positions.

SAYONA MINING LIMITED

ABN 26 091 951 978

CORPORATE GOVERNANCE STATEMENTS

The Non-Executive Directors are responsible for regularly evaluating the Executive Director's performance. This evaluation is based on the Company's business performance and whether strategic objectives are being achieved. The Company does not currently employ executives or staff.

1.3 Reporting on Principle 1

Details of the functions reserved for the Board and delegated to senior executives are outlined in the Company's Corporate Governance Manual, which is available on the Company's website (www.sayonamining.com.au).

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

Principle 2 is to have a Board of an effective size, composition and commitment to adequately discharge its responsibilities and duties. To add value to the Company, given the size and operations of the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Sayona Mining Board (as at the date of this Annual Report) is comprised of four Directors that have wide ranging experience in the mineral exploration, mining and financial sectors and a diverse skill set which is set out in the Directors' Report in this Annual Report along with details of the Directors, period of office and their qualifications.

2.1 A majority of the Board should be independent Directors

Currently, Sayona Mining does not have a majority of independent Directors. As at the date of this report, the Board comprises two Executive Directors, Messrs Dan O'Neill and Paul Crawford and two Non-Executive Directors. One of the Non-Executive Directors, Mr Allan Buckler, holds more than 10% of the voting shares of the company, and therefore does not meet the criteria for independence. However, the Board considers it appropriate for Mr Buckler to remain a member of the Board. Non-Executive Director Mr James Brown meets the criteria for independence proposed by the ASX Principles and Recommendations.

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment. For a director to be considered independent, they must meet all of the following materiality thresholds:

- not hold, either directly or indirectly through a related person or entity, more than 10% of the company's outstanding shares;
- not benefit, either directly or through a related person or entity, from any sales to or purchases from the company or any of its related entities; and
- derive no income, either directly or indirectly through a related person or entity, from a contract with the company or any of its related entities.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that they can offer, however the size and nature of the Company's activities does not justify expanding the Board at this time.

2.2 The chairperson should be an independent director

Sayona Mining is not compliant with the recommendation. At this point in the Company's evolution, it is not considered necessary to have a permanent board chairman, with the role at board meetings being rotated between the non-executive directors. Not all non-executive directors are independent.

2.3 The roles of the Chairperson and Chief Executive Officer should not be exercised by the same person

The Executive Director, Mr Dan O'Neill, is the Chief Executive Officer of Sayona Mining and as mentioned above, the Company does not have a permanent board chairman.

2.4 The Board should establish a nomination committee

Sayona Mining does not comply with this recommendation as a nomination committee has not been established. Currently, the role of the nomination committee is undertaken by the full Board. The size and nature of the Company's activities do not justify the establishment a separate committee at this time. The Board regularly reviews the composition, skill base and effectiveness of the Directors of the Board.

SAYONA MINING LIMITED

ABN 26 091 951 978

CORPORATE GOVERNANCE STATEMENTS

The Board has a policy and procedure for nominating and appointing new Directors. Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, independence and ability to meet the Board's expectation as set out in the Corporate Governance Manual. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting. Directors are required to retire and be subject to re-election by shareholders at least once every three years.

2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors

The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability. The Board collectively undertakes a review of the Board and individual Director's performance at least once a year. During the reporting year an evaluation of the Board was undertaken on an informal basis. As the activities of the Company develop, it will implement more formal evaluation procedures, including quantitative measure of performance.

Access to information and Independent Professional Advice

Each Director has the right of access to all Company information and to the Company's executives. Further, the Board collectively and each Director, subject to informing the Chairperson, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

2.6 Reporting on Principle 2

The policy and procedure for the selection and appointment of new Directors is detailed in the Corporate Governance Manual.

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Principle 3 is to actively promote ethical and responsible decision-making.

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code

The Company is committed to promoting a high standard of conduct. The board have formally adopted a code of conduct that expects all Directors and employees to act with the utmost integrity and objectivity striving at all times to enhance the reputation and performance of the Company, in the following areas:

- professional conduct;
- dealings with suppliers, advisers and regulators;
- dealings with the community; and
- dealings with other employees.

A copy of the Code of Ethics and Conduct is given to all contractors and relevant personnel, including Directors and each individual is accountable for such compliance. Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Ethics and Conduct will result in disciplinary action.

Personnel are expected to report any instances of suspected non-compliance and investigating reports of unethical practices. These instances will be investigated fairly. Individuals who report suspected non-compliance in good faith will be appropriately protected.

Company Securities Trading Policy

The Company has adopted a Securities Trading Policy pursuant to ASX Listing Rule 12.9. A summary of the policy is available on the Company's website. The policy restricts Directors, and employees from acting on material information until it has released to the market and adequate time has been given for this information to be reflected in the security's price

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.

The Company has implemented a Diversity Policy which is available on its website. The Diversity Policy is a commitment by the Company to actively seek to maintain a diverse workforce to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential.

SAYONA MINING LIMITED

ABN 26 091 951 978

CORPORATE GOVERNANCE STATEMENTS

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity.

The Company is of the view that any measurable statistical objectives on a diverse workforce must be fit for purpose, in line with the Company strategic objectives and ensure the Company is in compliance with all relevant legislative requirements. As at the date of this Annual Report, the Company is of the opinion that measurable objectives are not appropriate at its present stage of development, however, the Company will consider implementation of measurable objectives in future.

3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board

As at the date of this Annual Report, no members of the Board are women. The Company does not currently employ executives or employees. The Company will look to increase gender diversity at a Board and senior executive level in future years as the Company develops.

3.5 Reporting on Principle 3

The Code of Ethics and Conduct for Directors and employees, that forms part of the Corporate Governance Manual, is available on the Company's website.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Principle 4 is to have a structure of review and authorisation in place which independently verifies and safeguards the integrity of the Company's financial reports. The compilation and timely disclosure of accurate and true and fair information about the Company's financial position and performance is vital for the integrity of the market in the Company's securities. Sayona Mining has put in place a structure of reporting and oversight to achieve these objectives.

4.1 The Board should establish an audit committee

Sayona Mining has not established 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 an audit committee at this time. The audit committee will be established as and when the need for such a committee arises.

4.2 The structure of the audit committee

In the absence of an audit committee, this recommendation is not applicable to the Company.

4.3 The audit committee has a formal charter

In the absence of an audit committee, this recommendation is not applicable to the Company.

4.3 Reporting on Principle 4

The Company has developed a procedure for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

The Board reviews the performance of the external auditor on an annual basis.

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

Principle 5 is that listed companies should make timely and balanced disclosure to the ASX of all material matters concerning the Company.

The Sayona Mining Board has adopted a policy and rules to ensure the Company complies with its obligations under the ASX Listing Rules regarding continuous disclosure and ensures accountability at a senior executive level for that compliance. The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

5.2 Reporting on Principle 5

A summary of the Continuous Disclosure Policy is available on the Company's website.

SAYONA MINING LIMITED

ABN 26 091 951 978

CORPORATE GOVERNANCE STATEMENTS

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

Principle 6 is that companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

6.1 Communications policy

The Sayona Mining Board respects the rights of its shareholders and to facilitate the effective exercise of those rights, it has adopted a policy on communication with shareholders and implemented a set of processes to ensure timely and effective communication with shareholders and the wider investment community. The Company is committed to:

- communicating effectively with shareholders through releases to the market via the ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company and ask questions regarding the conduct of audit and about the functioning of the Company generally; and
- making it possible for shareholders to receive communication by electronic means.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

6.2 Reporting on Principle 6

A summary of the Company's Shareholder Communications Policy is available on the Company's website.

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

ASX Principle 7 is that companies should establish a sound system of risk oversight and effective management and internal control.

7.1 Risk Management and Internal Control System

The primary objectives of the risk management and internal control system at the Company are to ensure:

- all major sources of potential, opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- the Board, senior executives and investors understand the risk profile of the Company.

The system covers:

- operations risk;
- financial reporting; and
- compliance.

Any matters of significance to the Company or materially relevant to its assets, liabilities or profits are signed off by the Board after discussion and evaluation of submissions made by the Executive Director or other party.

7.2 Report on risk management and internal control system

The Board has required the management of the Company to design and implement the risk management and internal control systems to manage the Company's material business risks. As required by the Board, management has reported to the Board that the Company's material business risks have been managed effectively. The Executive Director reviews risk in response to changing business conditions and regulations. Regular reviews of risk and a regular update of the risk profile is undertaken by the Board. This normally occurs in conjunction with the strategic planning process. The internal audit is carried out to analyse and give an independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control system. The internal audit function is independent of the external auditor.

SAYONA MINING LIMITED

ABN 26 091 951 978

CORPORATE GOVERNANCE STATEMENTS

Given the size and scale of operations and stage of development of the Company, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk management committee. Presently, the full Board carries out the functions of a risk management committee.

7.3 Attestation by Chief Executive Officer and Chief Financial Officer (or equivalents)

The Executive Director and the Chief Financial Officer/Company Secretary provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements and that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control ; and
- the Company's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

7.4 Reporting on Principle 7

The Company's risk management, internal compliance and control system policies that have been established to manage material business risks are disclosed by the Company internally to the Board, senior executives, management and other employees.

PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

Principle 8 is that companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. Sayona Mining is committed to remunerating its Directors and officers in a manner that is market competitive, consistent with best practice and supporting the interests of shareholders.

8.1 The Board should establish a remuneration committee

Sayona Mining has not established a remuneration committee. The role of the remuneration committee has been undertaken by the full Board. The size and nature of the Company's activities does not justify the establishment of a committee at this time. The committee will be established as and when the need for such a committee arises.

Details of the Company's remuneration policy are provided in the accompanying Director's Report and Financial Statements.

8.2 The structure of the remuneration committee

In the absence of an audit committee, this recommendation is not applicable to the Company.

8.3 Structure of Non-Executive and Executive Director Remuneration

The Board has put in place a number of measures to implement this principle, although the Company does not currently employ any executives, or other staff.

Discussion on the Company's remuneration policies of Non-Executive Directors, the Executive Directors and Senior Executives of the consolidated entity and the relationship between such policy and the Company's performance is provided in the Directors' report.

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

8.3 Reporting on Principle 8

Details of the Company's remuneration policy are outlined in the Remuneration Report section of the Directors' Report, along with the names of the Directors, their qualifications, experience and the term of office held by each Director.

SAYONA MINING LIMITED

ABN 26 091 951 978

ASX INFORMATION

Following is additional information required by the ASX Limited and not disclosed elsewhere in this report. The following information is provided as at 10 October 2014.

1. Shareholding:

Distribution of Shareholders Number:

Category Number (Size of Holding)	Ordinary Shares (Number)
1 - 1,000	2,407
1,001 - 5,000	736
5,001 - 10,000	258
10,001 - 100,000	311
100,001 - and over	132
	3,844

The number of shareholdings held in less than marketable parcels is 3,728.

Twenty Largest Holders - Ordinary Shares

		Number of Shares Held	% of Issued Capital
1.	P Point Pty Ltd <AB Super Fund A/C>	78,755,813	19.42
2.	Terryjoy Pty Ltd <T & J Smith Super Fund A/C>	78,755,813	19.42
3.	EM Enterprises (Qld) Pty Ltd <Sherwood Super Fund A/C>	27,570,057	6.80
4.	Stanbic Nominees Botswana (Pty) Ltd <Sims - NPF 212/001 A/C>	23,919,912	5.90
5.	Paul Anthony Crawford + Robyn Lynelle Crawford <Kuratyn Super Fund A/C>	17,915,987	4.42
6.	Chua Seok Yin + Chua Xin Bei	17,877,906	4.41
7.	SCB Nominees Botswana (Pty) Ltd <Fam-BPOPF No1 201/010 A/C>	15,771,195	3.89
8.	DiamonEx Limited <Botswana Register A/C>	13,987,511	3.45
9.	FNB Nominees Botswana (Pty) Ltd <Sims - BPOPF 10001009 A/C>	11,633,820	2.87
10.	SCB Nominees Botswana (Pty)Ltd <Fam - BPOPF Private Equity A/C>	11,627,906	2.87
11.	SCB Nominees Botswana (Pty) Ltd <Fam- BPOPF No2 3185938 A/C>	8,053,037	1.99
12.	Stanbic Nominees Botswana (Pty) Ltd <BFIM-LB Local Bond A/C>	7,510,852	1.85
13.	SCB Nominees Botswana (Pty) Ltd <Fam- BPOPF No1 3582376 A/C>	6,793,255	1.68
14.	John Michael Moore <Mike Moore Super Fund A/C>	5,813,953	1.43
15.	FNB Nominees Botswana (Pty) Ltd <Sims - BPOPF 212/005 A/C>	5,402,710	1.33
16.	Hartco Nominees Pty Ltd	4,651,162	1.15
17.	Mr John Frank Bosca + Mr Joseph Bosca + Mr Peter Antonio Bosca <Bosca Staff Super Fund A/C>	3,706,208	0.91
18.	J P Morgan Nominees Australia Limited	3,395,597	0.84
19.	SCB Nominees Botswana (Pty) Ltd <Sims - STBMPF 207/002 A/C>	3,348,787	0.83
20.	Christopher Paul Dredge	2,906,976	0.72
		349,398,457	86.16

SAYONA MINING LIMITED

ABN 26 091 951 978

ASX INFORMATION

The names of the substantial shareholders listed in the Company's register as at 10 October 2014:

Shareholder	Number of Shares Held	% of Issued Capital
P Point Pty Ltd <AB Super Fund A/C>	78,755,813	19.42
Terryjoy Pty Ltd <T & J Smith Super Fund A/C>	78,755,813	19.42
EM Enterprises (Qld) Pty Ltd <Sherwood Super Fund A/C>	27,570,057	6.80
Stanbic Nominees Botswana (Pty) Ltd <Sims - NPF 212/001 A/C>	23,919,912	5.90

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

There are no voting rights attaching to the Options, but voting rights as detailed above will attach to the ordinary shares issued when the Options are exercised.

2. Registers of securities are held at the following address:

Computershare Investor Services Pty Limited
117 Victoria Street
West End Qld 4101 Australia

3. Securities Exchange Listing

Quotation has been granted for all the ordinary shares issued by the Company on all Member Exchanges of the ASX Limited.

4. Restricted Securities

The Company has no restricted securities on issue.

5. Tenement Schedule

The Company currently has no interest in any mining tenements.