



SAYONA

MINING LIMITED

ABN 26 091 951 978

Prospectus

In relation to

A fully underwritten pro-rata non-renounceable entitlement offer of one (1) New Share for every five (5) Shares held at an issue price of 2.7 cents (\$0.027) per New Share together with one (1) free attaching New Option for every two New Shares issued

The Entitlement Offer closes at 5pm (Brisbane time) on Wednesday, 10 August 2016

An investment in the Company should be considered speculative

This Prospectus is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act. If you are an Eligible Shareholder, this is an important document and should be read in its entirety. If you do not understand any part of this document or are in doubt as to what you should do, you should contact your professional adviser immediately. You should have regard to all publicly available information concerning the Company.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO U.S. PERSONS

Lead Manager and Underwriter:

BIZZELL CAPITAL PARTNERS

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IMPORTANT INFORMATION

You should read this entire Prospectus carefully before deciding whether to invest in New Shares and New Options. In particular, you should consider the key risks that could affect the performance of the Company or the value of an investment in the Company, details of which are outlined in section 4 of this Prospectus.

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Before deciding whether to apply for New Shares and New Options, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merit or risks involved. If, after reading this Prospectus, you have any questions about the Entitlement Offer, you should contact your stockbroker, solicitor, banker, financial adviser, accountant or other professional adviser.

Electronic Prospectus

This Prospectus will also be issued as an electronic prospectus. A copy of this Prospectus can be downloaded from the Company's website at www.sayonamining.com.au.

If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Persons who access the Prospectus in electronic form should ensure that they download and read the entire Prospectus.

Regulatory information

This Prospectus is dated Friday, 15 July 2016 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

No New Shares or New Options may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give any information or make any representation in connection with this Entitlement Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, the Directors or the Underwriter.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may be reasonably expected to be known to investors and professional advisers whom potential investors may consult.

Disclaimer

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Prospectus. An investment in New Shares and New Options offered by this Prospectus should be considered speculative.

The Company has prepared this document based on information available to it at the time of preparation.

Forward-looking statements

This Prospectus contains forward-looking statements that have been based on current expectations about future acts, events and circumstances. These statements may be in respect of the financial condition, results of operations, projects and business of Sayona. Such statements involve known and unknown risks, uncertainties, assumptions and other factors which are subject to change without notice, as many of these are outside the control of the Company and that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements. Sayona gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved and this Prospectus details some important factors and risks that could cause the Company's actual results to differ from the forward-looking statements in this Prospectus (details of which are outlined in section 4 of this Prospectus).

The pro-forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of the Company's view on its future financial condition and/or performance.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any 'US person' (as defined in Regulation S under the US Securities Act of 1933, as amended (**US Person**)). Shares may not be offered or sold in the United States or to, or for the account or benefit of, any US Person absent registration or an exemption from registration. This Prospectus has been prepared for publication only in Australia and New Zealand and may not be released elsewhere.

Capitalised terms have the meaning given to them in section 7.

MESSAGE FROM THE MANAGING DIRECTOR

Friday, 15 July 2016

Dear Shareholder,

On behalf of your Directors, I am pleased to invite you to participate in this Entitlement Offer providing you with the opportunity to subscribe for one (1) New Share for every five (5) Shares held at 7pm (Brisbane time) on Tuesday, 19 July 2016 (**Record Date**) at an issue price of 2.7 cents (\$0.027) per New Share.

The Issue Price represents a discount of approximately 27.03% to the last closing price and a discount of approximately 20.4% to the theoretical ex-rights price (**TERP**)¹. Subscribers will be further issued one (1) free attaching New Option for every two New Shares subscribed for.

The Entitlement Offer is an offer to raise approximately \$2.9 million, which is being fully underwritten by Bizzell Capital Partners Pty Ltd (**Underwriter**).

The Entitlement Offer comprises a retail component (**Retail Entitlement Offer**) and an institutional component (**Institutional Entitlement Offer**). This Prospectus contains details about the Retail Entitlement Offer, including information about how to participate, and relevant risk factors.

The Institutional Entitlement Offer commenced at 10am this morning, on Friday 15 July 2016, and the results of the Institutional Entitlement Offer will be announced to the market on Tuesday, 19 July 2016.

Entitlement Offer

This Prospectus relates to the Retail Entitlement Offer, which offers Eligible Retail Shareholders the same opportunity offered to those investors who participated in the Institutional Entitlement Offer.

Eligible Retail Shareholders may also apply for New Shares in excess of their Entitlement, although any application for Additional New Shares may be scaled back at the Company's discretion.

Other Capital Raisings

As announced today, in the last few days, the Company has offered 155,289,486 Shares in the Company, at the same price of 2.7 cents per Share to various investors (**Placement Participants**), raising a total of \$4,192,816 for the Company, comprising \$3,592,816 million under its private placement capacity under the ASX Listing Rules (**Placement**) and an additional \$600,000 which is subject to shareholder approval (**Conditional Placement**). Shareholder approval will be sought at an extraordinary general meeting to be held early September 2016. Placement Participants are not eligible to take part in either the Institutional Entitlement Offer or the Retail Entitlement Offer, although may be invited to participate in any shortfall in the Entitlement Offer.

Use of Funds

The net proceeds of the Entitlement Offer (together with the Company's existing cash and the proceeds of the Placement and, if it is approved, the Conditional Placement) will be used to fund Authier Project acquisition costs, exploration of the Authier mineral claims, expenditure on the Company's Australian projects and working capital requirements - see section 1.17.

¹ TERP is the theoretical price at which Shares should trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the theoretical ex-rights price. TERP is calculated by reference to the closing price of Sayona's shares on ASX of \$0.037 on 12 July 2016.

Actions required to take up your Entitlement

The Retail Entitlement Offer closes at **5pm (Brisbane time) on Wednesday, 10 August 2016**. To participate, you need to ensure that either your completed Entitlement and Acceptance Form and Application Money or your Application Money submitted by BPAY[®] are received by the Company's Share Registry before this time in accordance with the instructions set out on the form and in section 3 of this Prospectus.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any value in respect of the Entitlements they do not take up, and their percentage shareholding in the Company will be reduced following the issue of New Shares and New Options.

It is important that you carefully read this Prospectus and the other publicly available information about the Company on our website (www.sayonamining.com.au) and consider in particular the risk factors set out in section 4 before making any investment decision.

With this Prospectus you will also find your Entitlement and Acceptance Form which details your Entitlement and provides instructions on how to participate in the Retail Entitlement Offer.

On behalf of the Directors, I invite you to consider this opportunity and thank you for your continued support.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Dennis O'Neill', written in a cursive style.

Mr Dennis O'Neill
Managing Director

Key Details about the New Options

Current Options on offer as at 15 July 2016	Quantity	Listed?	Exercise price	Expiry date
	99,393,564	yes	3 cents	30 December 2016
	6,000,000	no	1 cent	31 December 2016
	18,500,000	no	3 cents	30 June 2017
	6,000,000	no	1.5 cents	30 June 2017
Options offered under the Placement, Conditional Placement and Underwriting Agreement	<p>The Company has agreed to offer a total of 82,644,743 Options all on the same terms as the New Options but subject to shareholder approval, as follows:</p> <ul style="list-style-type: none"> • 66,533,632 Options under the Placement; • 11,111,111 Options under the Conditional Placement; and • 5,000,000 under the Underwriting Agreement. 			
New Options available under the Entitlement Offer	53,726,907 listed New Options, exercisable at 3 cents by 30 December 2016.			
Total Options on issue after completion of the Capital Raising.	If shareholders approve the Options issued under the Placement, Conditional Placement and Underwriting Agreement, the Company will have approximately 265,765,214 Options on issue.			

Important Dates (all times are Brisbane local time)

Institutional Entitlement Offer opens	10am, Friday, 15 July 2016
Institutional Entitlement Offer closes	10am, on Monday, 18 July 2016
Lodgement of Prospectus with ASIC and ASX	Friday, 15 July 2016
Results of Institutional Entitlement Offer / Institutional bookbuild	10am, Tuesday 19 July 2016
Record Date to determine Entitlements	7pm, Tuesday, 19 July 2016
Settlement of Institutional Entitlement Offer and Institutional Shortfall bookbuild	Wednesday, 20 July 2016
Dispatch of Prospectus and Entitlement and Acceptance Forms	By Thursday, 21 July 2016
Opening date of the Retail Entitlement Offer	9am, Thursday, 21 July 2016
Closing Date of Retail Entitlement Offer (Last date for lodgement of Entitlement & Acceptance Forms and payment of Application Money)	5pm, Wednesday, 10 August 2016
Issue and allotment of New Shares and New Options	Wednesday, 17 August 2016
Normal trading of New Shares and New Options expected to commence on ASX	Thursday, 18 August 2016
Transaction confirmation statements for New Shares and New Options expected to be dispatched	Friday, 19 August 2016
Expected general meeting of the Company	early September 2016

Eligible Retail Shareholders that wish to participate in the Retail Entitlement Offer are encouraged to subscribe for New Shares and New Options as soon as possible after the Retail Entitlement Offer opens. The Company, in consultation with the Underwriter, reserves the right, subject to the Corporations Act, the Listing Rules and other applicable laws, to vary the dates of the Retail Entitlement Offer (including extending the Retail Entitlement Offer or accepting late applications) without notice.

KEY FEATURES OF THE RETAIL ENTITLEMENT OFFER

Summary of Entitlement Offer

Issue Price	2.7 cents (\$0.027) per New Share.
Discount	27.03% to Sayona's closing price of \$0.037 on 12 July 2016. 20.4% to the theoretical ex-rights price (TERP).
Entitlement	One (1) New Share for every five (5) Shares held on the Record Date (7pm (Brisbane time) on Tuesday, 19 July 2016), plus a free attaching New Option for every two (2) New Shares issued.
Amount to be raised under the Entitlement Offer	\$2,901,253.
Approximate New Shares available under the Entitlement Offer	107,453,813 New Shares.
New Options available under the Entitlement Offer	53,726,907 New Options.

Summary of Share Capital and other parts of the Capital Raising

Shares on issue 15 July 2016 before the Placement	537,269,063 Shares were on issue before the Placement.
Shares issued pursuant to the Placement	133,067,264 Shares, raising \$3,592,816 before costs.
Shares which will be on issue on 18 July 2016 (following settlement of the Placement)	670,336,328 Shares will be on issue following settlement of the Placement on 18 July 2016.
Shares to be offered under the Conditional Placement	22,222,222 Shares will be issued under the Conditional Placement at 2.7 cents (\$0.027) per Share, to raise \$600,000, conditional upon shareholder approval at the next general meeting of the Company.
Total number of Shares on issue following completion of the Capital Raising	If shareholders approve the Conditional Placement, the Company will have approximately 800,012,361 Shares on issue. If shareholders do not approve the Conditional Placement, the Company will have approximately 777,790,139 Shares on issue.

Key Details about the Entitlement Offer

How will the Institutional Entitlement Offer and the Retail Entitlement Offer be split?	The Entitlement Offer will be split approximately as follows: <ul style="list-style-type: none"> • 65.65% to Eligible Institutional Shareholders; and • 34.35% to Eligible Retail Shareholders.
Additional New Shares available under the Retail Entitlement Offer	Eligible Retail Shareholders may apply for New Shares in excess of their Entitlement. The Company may scale back applications for Additional New Shares in its absolute discretion, but will not scale back any Entitlement. If the Company scales back applications for Additional New Shares, excess funds will be returned to applicants without deduction of interest in accordance with section 3.4.

FREQUENTLY ASKED QUESTIONS (FAQS)

<p>What is the Entitlement Offer?</p>	<p>The Entitlement Offer is a pro-rata accelerated non-renounceable entitlement to Eligible Shareholders to apply to purchase one (1) New Share for every five (5) existing Shares held as at the Record Date. For every two (2) New Shares issued, and subject to shareholder approval, subscribers will be issued one free attaching New Option to be listed and exercisable on a 1:1 basis at 3 cents (\$0.03) per Share and expiring on 30 December 2016.</p> <p>The Entitlement Offer comprises four parts:</p> <ul style="list-style-type: none"> • Institutional Entitlement Offer; • Institutional bookbuild; • Retail Entitlement Offer; and • Retail Shortfall Facility. 	<p>Section 1.1.</p>
<p>What is my Entitlement?</p>	<p>Each Eligible Shareholder is entitled to subscribe for:</p> <ul style="list-style-type: none"> • one (1) New Share for every five (5) existing Shares held at Record Date; plus • for every two (2) New Shares issued and subject to shareholder approval, a free attaching New Option. 	<p>Section 1.1.</p>
<p>What is the Issue Price?</p>	<p>2.7 cents (\$0.027) per New Share.</p>	<p>Sections 1.1 and 1.2.</p>
<p>Am I an Eligible Retail Shareholder?</p>	<p>Eligible Retail Shareholders are those holders of Shares who:</p> <ul style="list-style-type: none"> • are registered as a holder of Shares on the Record Date; • have a registered address in Australia, New Zealand, Singapore or Hong Kong; • are not in the United States, are not a US Person and are not acting for the account or benefit of a person in the United States or a US Person; • are not an Eligible Institutional Shareholder who was invited to participate in the Institutional Entitlement Offer; • are not an Ineligible Institutional Shareholder; and • are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered in any jurisdiction other than Australia. 	<p>Section 1.3.</p>
<p>What happens if I am a Shareholder on the Record Date but not an Eligible Retail Shareholder?</p>	<p>You will not be entitled to subscribe for New Shares (and/or New Options) under the Retail Entitlement Offer. Ineligible Retail Shareholders will have their percentage holding in the Company (held at the Record Date) diluted as a result of the Entitlement Offer.</p>	

How much will be raised from the Entitlement Offer?	The Entitlement Offer will raise approximately \$2,901,253 million (before costs). Even if not fully subscribed, the Entitlement Offer is fully underwritten so the Company is confident the full amount will be raised under the Entitlement Offer.	Section 1.1.
What is the purpose of the Entitlement Offer and how will the funds raised be used?	The funds raised under the Entitlement Offer, net of expenses, together with the Company's existing cash and funds received from the Placement and Conditional Placement, will be used to fund Authier Project acquisition costs, exploration of the Authier mineral claims, expenditure on the Company's Australian projects and working capital requirements.	Section 1.17, 1.18, 1.19, 2.5 and 5.21.
Is the Entitlement Offer underwritten?	Yes, the Entitlement Offer is fully underwritten to \$2,901,253 by the Lead Manager and Underwriter, Bizzell Capital Partners. The Lead Manager and Underwriter's fee arrangements are further detailed at sections 1.15, 1.16, 2.4(b), 5.5 and 5.21.	Sections 1.15, 1.16, 2.4(b), 5.5 and 5.21.
What are the tax implications of participating in the Entitlement Offer?	Taxation implications will vary depending upon the specific circumstances of individual Shareholders. Investors should obtain their own professional advice as to the particular tax treatment that will apply to them.	Section 5.14.
Are there any risks?	There are risks associated with an investment in the Company. These include risks relating to the Company's business including its prospective project acquisition, risks relating to the Entitlement Offer and risks associated with financial investments generally. These risks are set out in more detail in section 4 of this Prospectus. In particular, key risks associated with an investment in the Company include: <ul style="list-style-type: none"> • Authier Project acquisition and completion risk (including the risk associated with securing project funding). • Tenure, tenement and exploration risk. • Mineral resources estimation risk. • Exchange rate risk. • Sovereign and political risk. • Future funding risk. • Environmental risk. 	Sections 4 and 5.18.
What effect will the issue of the New Shares and New Options have on the Company?	The potential effect that the issue of New Shares and New Options will have on the capital structure and financial position of the Company are set out in sections 2.2, 2.3 and 2.5. The Entitlement Offer will increase the current number of Shares on issue. If you do not take up your Entitlement, your shareholding will be diluted. The issue of the New Options may further dilute your shareholding, if exercised by others.	Sections 2.2, 2.3 and 2.5.

<p>What effect will the issue of the New Shares and New Options have on the control of the Company?</p>	<p>The potential effect that the issue of New Shares and New Options will have on the control of the Company, and the consequences of that effect, depends on a number of factors, including investor demand. See section 2.4 for more details.</p>	<p>Section 2.4.</p>
<p>What interests do the Directors, Related Parties and any other persons have in the Entitlement Offer?</p>	<p>The Directors of the Company, together, currently have a significant shareholding in the Company. As the Entitlement Offer is being made on the same basis to all shareholders of the Company, the Directors will be entitled to participate to the extent of their Entitlement. Three of the four Directors have indicated they will not participate in their Entitlements under the Entitlement Offer. Paul Crawford will accept approximately 3,703,703 Shares, which represents an investment of approximately \$100,000. Details of the interests of the Directors and potential implications are set out in section 5.6. There are no other related party interests or transactions with related parties to disclose.</p>	<p>Sections 5.6, 5.7 and 5.8.</p>
<p>Where can I find more information about the Company?</p>	<p>For more information on the Company please see the Company's website (www.sayonamining.com.au) and the Company's ASX announcements (also available on the Company's website and the ASX's website (www.asx.com.au)).</p>	

1 Details of the Retail Entitlement Offer

1.1 Overview of the Entitlement Offer

Sayona proposes to raise \$2,901,253 under the Entitlement Offer through the issue of approximately 107,453,813 New Shares. Under the Entitlement Offer, Sayona is offering Eligible Shareholders the opportunity to subscribe for one (1) New Share for every five (5) existing Shares held at the Record Date, at the Issue Price of 2.7 cents (\$0.027) per New Share. Subscribers will also be issued one (1) free attaching New Option for every two (2) New Shares subscribed for by them.

Where fractions arise in the calculation of an Entitlement, they will be rounded up to the next whole number of New Share or New Option.

The Entitlement Offer comprises four parts:

- (a) **(Institutional Entitlement Offer)** under which Eligible Institutional Shareholders were invited to take up all or part of their Entitlement.
- (b) **(Institutional bookbuild)** under which New Shares attributable to the Entitlements not taken up by Eligible Institutional Shareholders, together with New Shares attributable to the Entitlements that would have been offered to Ineligible Institutional Shareholders if they had been entitled to participate in the Institutional Entitlement Offer, were offered under a bookbuild to certain Institutional Investors.
- (c) **(Retail Entitlement Offer)** under which Eligible Retail Shareholders are being sent this Prospectus, together with a personalised Entitlement and Acceptance Form, and are being invited to take up all or part of their Entitlement.
- (d) **(Retail Shortfall Facility)** under which New Shares attributable to Entitlements:
 - (i) not taken up by Eligible Retail Shareholders; and
 - (ii) that would have been offered to Ineligible Retail Shareholders if they had been entitled to participate in the Retail Entitlement Offer,

will be offered under a Retail Shortfall Facility to Eligible Retail Shareholders that have exercised their full Entitlement and to Placement Participants and to Eligible Institutional Shareholders. The Board reserves the right to issue such Shares at their discretion within three months after the close of the Retail Entitlement Offer at a Share price not less than the price of the Retail Entitlement Offer. Please see section 1.4 for further details.

1.2 The Retail Entitlement Offer

Eligible Retail Shareholders are invited to participate in a pro-rata non-renounceable Retail Entitlement Offer. The Retail Entitlement Offer will be conducted on the basis of one (1) New Share for every five (5) Shares held on the Record Date, at an Issue Price of 2.7 cents (\$0.027) per New Share, which is payable in full on application. Subscribers will be issued one free New Option for every two New Shares subscribed for.

The Issue Price represents:

- a discount of approximately 20.4% to the TERP; and
- a discount of approximately 27.03% to Sayona's closing price on 12 July 2016.

You should also consider publicly available information about Sayona available at www.asx.com.au and www.sayonamining.com.au.

1.3 Eligible Retail Shareholders

This Prospectus contains an offer of New Shares and New Options to Eligible Retail Shareholders. Eligible Retail Shareholders are those holders of Shares who:

- (a) are registered as a holder of Shares on the Register on the Record Date;
- (b) have a registered address in Australia, New Zealand, Singapore or Hong Kong;
- (c) are not in the United States, are not a US Person and are not acting for the account or benefit of a person in the United States or a US Person;
- (d) are not an Eligible Institutional Shareholder who was invited to participate in the Institutional Entitlement Offer;
- (e) are not an Ineligible Institutional Shareholder; and
- (f) are eligible under all applicable foreign securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered in any jurisdiction other than Australia.

Shareholders that are not Eligible Retail Shareholders are Ineligible Retail Shareholders.

The Entitlements of Eligible Retail Shareholders who also hold options to subscribe for Shares will be calculated on the basis of the number of Shares they hold on the Record Date, disregarding any options which have not been exercised before that time.

1.4 Retail Shortfall Facility

A Retail Shortfall Facility will allow Eligible Retail Shareholders that have fully subscribed for their Entitlements under the Retail Entitlement Offer to subscribe for Additional New Shares. Eligible Retail Shareholders can subscribe for Additional New Shares by completing the relevant part of the Entitlement and Acceptance Form, or through BPAY[®], please refer to section 3.3.

The Company reserves the right to allot Additional New Shares to the extent that the Company determines in its absolute discretion, having regard to circumstances as at the time of the close of the Retail Entitlement Offer. The Board reserves the right to issue such Shares as it may in its sole discretion determine, within 3 months after the close of the Retail Entitlement Offer, provided that the issue price for shares is not less than the issue price under the Retail Entitlement Offer.

Any Additional New Shares will be limited to the extent that there are sufficient New Shares from Eligible Retail Shareholders who do not take up their full Entitlements or from New Shares that would have been offered to Ineligible Retail Shareholders if they had been entitled to participate in the Retail Entitlement Offer.

There is no guarantee that those Eligible Retail Shareholders will receive the number of Additional New Shares applied for, or any. The Company's decision on the number of New Shares and Additional New Shares to be allocated to you will be final.

The Company may scale back any application for Additional New Shares in its absolute discretion, but will not scale back any Entitlement. However, if the Retail Entitlement Offer is oversubscribed, it is the Company's current intention to scale back all applications for Additional New Shares in the same proportions.

In the event of a scale back, the difference between the Application Monies received, and the number of New Shares allocated to you multiplied by the Issue Price, will be refunded by the Company, without interest, following allotment.

1.5 Ranking of New Shares

New Shares and Additional New Shares issued under the Entitlement Offer will rank equally with existing Shares. For further details of the rights attaching to the New Shares, please refer to section 5.3.

1.6 **Withdrawal of Entitlement Offer**

The Board reserves the right to withdraw all or part of the Retail Entitlement Offer at any time before the issue of New Shares, in which case the Company will refund Application Money without payment of interest.

1.7 **No cooling off rights**

Cooling off rights do not apply to an investment in New Shares (or New Options). You cannot withdraw your application or payment once it has been accepted, except as allowed by law.

1.8 **No Entitlements trading**

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlement in full will not receive any value in respect of those Entitlements that they do not take up.

1.9 **Discretion to deal with shortfall**

To the extent there is any shortfall in subscriptions for New Shares and Additional New Shares under the Retail Entitlement Offer, the Directors reserve the right to allocate top up Shares or place any shortfall at their discretion (subject to the terms of the Underwriting Agreement) within three months of the close of the Retail Entitlement Offer, provided that such Shares will be issued at a price not less than the price of the New Shares.

1.10 **Minimum subscription**

There is no minimum subscription for the Retail Entitlement Offer.

1.11 **Rounding of Entitlements**

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares or New Options.

1.12 **Opening and Closing Date for applications**

The Retail Entitlement Offer opens for acceptances on Thursday, 21 July 2016 and all Entitlement and Acceptance Forms and payments of Application Money must be received by no later than 5pm (Brisbane time) on Wednesday, 10 August 2016, subject to the Directors being able to vary the Closing Date in accordance with the Listing Rules. The Directors reserve the right in their absolute discretion to accept late applications or payments.

1.13 **Allotment of New Shares and ASX quotation**

It is expected that allotment of the New Shares will take place as soon as practicable after the Closing Date. It is expected that the New Shares issued under the Retail Entitlement Offer will be allotted no later than Wednesday, 17 August 2016. However, if the Closing Date is extended, the date for allotment may also be extended.

No allotment of New Shares will be made until permission is granted for their quotation by ASX.

Application for official quotation by ASX of the New Shares will be made as soon as possible and in any event within 7 days after the date of this Prospectus.

If approval is not obtained from ASX before expiration of 3 months after the date of issue of this Prospectus, or such period as varied by ASIC, the Company will not issue any New Shares and will repay all Application Money for the New Shares within the time prescribed by under the Corporations Act, without interest.

The anticipated date of commencement of official quotation of the New Shares issued in accordance with the Prospectus is Thursday, 18 August 2016, subject to ASX's discretion and compliance with the Listing Rules.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

1.14 **Allotment of New Options and ASX quotation**

The New Options do not need shareholder approval, but Options issued under the Placement, Conditional Placement and to the Underwriter will all need shareholder approval before they can be issued. The Board intends to call an extraordinary meeting in early September 2016. No allotment of Options under the Placement, Conditional Placement or Underwriting Agreement will be made until shareholder approval of their terms has been obtained, and permission for their quotation is granted by ASX.

Application for official quotation by ASX of the New Options will be made as soon as possible and in any event within 7 days after the date of this Prospectus. If approval is not obtained from ASX before expiration of 3 months after the date of issue of this Prospectus, or such period as varied by ASIC, the Company will not issue any New Options. It is anticipated that commencement of official quotation of the New Options issued in accordance with the Prospectus will be 18 August 2016, subject to ASX's discretion and compliance with the Listing Rules.

The fact that ASX may grant official quotation to the New Options is not to be taken in any way as an indication of the merits of the Company or the New Options.

1.15 **Lead Manager and Underwriter**

Bizzell Capital Partners Pty Ltd has been appointed as Lead Manager and Underwriter to the Entitlement Offer on usual commercial terms. In addition to certain cash underwriting and management fees payable as set out in section 5.5, the Underwriter will be granted, subject to shareholder approval, 5,000,000 Options in the Company, exercisable at a price of 3.0 cents by 30 December 2016.

The Underwriter will not acquire 20% or more of the Company. For further details of the Underwriter's interest in the Company and the effect on control of the Company upon completion of the Entitlement Offer, please refer to Section 2.4.

1.16 **Underwriting**

The Entitlement Offer is fully underwritten for the entire \$2,901,253 by Bizzell Capital Partners Pty Ltd.

The Underwriting Agreement is in a standard form for transactions of this size and type and contains customary covenants, indemnities, representations and warranties by the Company and terminating events which if they occur, will relieve the Underwriter of its underwriting obligations.

Further details and a summary of the key terms of the Underwriting Agreement is set out in Section 5.4.

1.17 **Purpose of Entitlement Offer and intended use of funds**

The Entitlement Offer is proposed to raise \$2,901,253 and is fully underwritten. The table below details the proposed allocation of funds.

Combined with the Company's existing cash reserves, the funds raised, net of expenses, will be used as follows.

Funds Available	With Conditional Placement (\$)	Without Conditional Placement (\$)
Existing Cash Reserves ¹	80,629	80,629
Proceeds of the Placement	4,192,816	3,592,816
Proceeds of the Offer	2,901,253	2,901,253
Total	\$7,174,698	\$6,574,698
Allocation of funds	(\$)	(\$)
Authier Project acquisition costs	4,300,000	4,300,000
Authier Project expenditure	650,000	650,000
Australian Projects expenditure	400,000	300,000
Entitlement Offer costs ²	545,314	508,450
Administrative expenses	700,000	700,000
Surplus Working Capital	579,384	116,248
Total	\$7,174,698	\$6,574,698

Notes

¹ This amount is the total cash at the end of the quarter ended 30 June 2016 as recorded in the Company's pro forma accounts.

² For further details of the Entitlement Offer costs refer to Section 5.21.

This is a statement of present intention only. In the event that circumstances change, business opportunities vary from expected or other beneficial opportunities arise, the Directors reserve the right to vary the proposed use of funds.

There is no minimum subscription under the Entitlement Offer and it is fully underwritten. On completion of the Entitlement Offer, the Directors believe the Company will have sufficient working capital to achieve its objectives in 2016.

1.18 Key Terms of the Acquisition of the Authier Project

As announced to the market today, the Company has entered into a binding Mineral Claim Purchase Agreement (**Agreement**) with Glen Eagle Resources Inc (**Glen Eagle**) to acquire the Authier lithium deposit in Québec, comprising 19 mining claims total area of 13,316 hectares located in the province of Québec (**Authier Project**).

The Authier Project comprises 19 mineral claims with a total area of approximately 653 hectares. The key terms of the Agreement are as follows:

- (a) Sayona has agreed to pay Glen Eagle CAD \$3,925,000 for the acquisition of the Authier Project (in addition to the CAD \$75,000 already paid for an exclusive option on the Authier Project until 21 July 2016, making a total purchase price of CAD \$4,000,000);
- (b) Sayona will acquire the 18 mining claims fully owned by Glen Eagle; and
- (c) Under a Deed of Assignment signed by Sayona, Glen Eagle and Royal Nickel Corporation (**RNC**) effective upon completion of the acquisition, Sayona will assume Glen Eagle's rights and obligations under the existing Option and Joint Venture

Agreement between Glen Eagle and RNC in relation to CDC 2116146 (discussed below in section 1.19).

The purpose of this Entitlement Offer, together with the Placement, is to provide the Company with the necessary funds to acquire and pursue the Authier project in 2016.

The Company will require further funding to continue its pursuit of the development of the Authier Project in 2017. The Company will investigate further funding options. However, there is no certainty that there will be funding available or whether it will be on acceptable terms.

1.19 Authier Project Disclosure

The Authier Project is subject to various contractual arrangements. Considering the location of lithium deposits, the most material of these contractual arrangements are the following:

(a) CDC 2116146

Under contractual arrangements made prior to Sayona's acquisition of CDC 2116146, a 2% net smelter royalty (**NSR**) is payable to a prior owner of the claim. This royalty may be reduced to a 1% NSR by making payment of CAD \$1,000,000.

Upon completion of the Authier Project acquisition, Sayona will assume the option to acquire (by making progressive cash payments, share issues and work expenditure) a 70% direct interest in this claim. This requires Sayona to make payments and expenditure of CAD \$159,000 between now and September 2017, which has been factored into the Company's current budget for use of funds.

Once this obligation has been satisfied, a joint venture is formed between RNC and Sayona, with RNC holding 30% and Sayona 70% of the claim. The joint venture includes customary contribution and dilution provisions, with automatic conversion of joint venture interests to a 1.5% NSR if interests dilute below 10% or in the event of contribution default. RNC also has the ability to assume control of the joint venture and increase its joint venture interest to 50% by sole funding implementation of a feasibility study, if such a study defines a deposit within certain parameters. On the basis of discussions with Glen Eagle, Sayona is hopeful that it can renegotiate these joint venture arrangements to extinguish the joint venture rights in consideration for conversion of those rights to a 1.5% NSR.

(b) CDC 2183454, CDC 2183455 and CDC 2194819

As part of the Company's acquisition of the Authier Project from Glen Eagle, Sayona will also acquire Glen Eagle's interest in CDC 2183454, CDC 2183455 and CDC 2194819. Glen Eagle's interest arose out of an option agreement with a Canadian company, 9187-1400 Québec Inc (**QI**), pursuant to which Glen Eagle was entitled to acquire 100% of these claims by making progressive cash payments, share issues and work expenditures. The last remaining option payment obligations under the agreement have not been satisfied by Glen Eagle (an amount of CAD \$500,000 and an issue of 1 million shares in Glen Eagle to QI).

Despite being the registered owner of these claims, these outstanding obligations will expose Sayona, upon its acquisition of Glen Eagle's interest in these claims, to liability for Glen Eagle's outstanding obligations under the agreement (namely the remaining CAD \$500,000 option payment and a further sum or share issues in lieu of the 1,000,000 Glen Eagle shares). Also, despite the legal transfer of the claims to Glen Eagle and then to Sayona, the agreement remains within the 'option term', resulting in ongoing indemnities, access rights, termination rights and clawback rights in favour of QI, and an obligation to keep QI informed of work progress and return technical data to QI and make good requirements.

Based on discussions with Glen Eagle, Sayona has a reasonable expectation that it can renegotiate these arrangements to a more favourable position, including control over the claims and extinction of QI's clawback rights.

1.20 **CHESS**

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). ASX Settlement, a wholly-owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and ASX settlement operating rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Shares and New Options. If your shareholding is held on a broker sponsored sub-register, ASX Settlement will send you a CHESS statement.

The CHESS statement will set out the number of New Shares and New Options issued to you under this Prospectus, and provide details of your holder identification number and the participant identification number of the sponsor.

If your shareholding is held on the CHESS company-sponsored sub-register, your statement will be despatched by the Share Registry and will contain the number of New Shares and New Options issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Company statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time. However, a charge may be incurred for additional statements.

2 Effect of the Entitlement Offer on the Company

2.1 Purpose of the Entitlement Offer

The intended use of funds raised under the Entitlement Offer is detailed in section 1.17.

2.2 Effect of the Entitlement Offer

The principal effect of the Entitlement Offer will be to:

- (a) increase cash reserves by \$2,901,253 immediately after completion of the Entitlement Offer, before deducting the estimated expenses of the Entitlement Offer; and
- (b) increase the total number of Shares on issue from 537,269,063 as at the date of this Prospectus by an additional 107,453,813 Shares.

The total number of Shares in the Company will also increase by:

- the Placement of 133,067,265 Shares, making the total number of Shares on issue following both the Entitlement Offer and the Placement, approximately 777,790,120 Shares; and
- the Conditional Placement of 22,222,222 Shares, making the total number of Shares on issue following both the Entitlement Offer, the Placement and the Conditional Placement, approximately 800,012,360 Shares.

2.3 Effect on the Company's capital structure

(a) Share capital

The principal effect of the Entitlement Offer (particularly in the context of the broader Capital Raising) on Sayona's capital structure will be to increase the total number of issued Shares. The capital structure of Sayona following the issue of the New Shares under the Entitlement Offer in connection with the Capital Raising will be as follows:

Event	Approximate number of Shares issued	Resulting in approximate total number of Shares in the Company
Shares on issue as at 15 July 2016		537,269,063
Shares to be issued under the Placement on 18 July 2016	133,067,264	670,336,327
New Shares to be issued under the Entitlement Offer	107,453,813	777,790,140
Shares to be issued under the Conditional Placement (subject to shareholder approval)	22,222,222	800,012,362

These numbers are approximate and may vary slightly based upon a variety of factors. The final number of Shares in the Company is subject to reconciliation after the Placement, Entitlement Offer and shareholder approval of the Conditional Placement. The results of shareholder approval of the Conditional Placement will not be known until the next general meeting of the Company. The number of shares issued under the Entitlement Offer is approximate and is subject to directors' discretions and the underwriting agreement.

(b) **Other securities**

As at the date of this Prospectus, the Company had 99,393,564 listed Options and 30,000,000 unlisted Options.

Existing Options on issue as at 15 July 2016	
Listed Options exercisable at 3 cents by 30 December 2016	99,393,564
Unlisted options exercisable at 1 cent by 31 December 2016	6,000,000
Unlisted Options issued under Employee Share and Option Plan exercisable at 3 cents by 30 June 2017	18,500,000
Unlisted options exercisable at 1.5 cents by 30 June 2017	6,000,000
Total issued Options on issue at 15 July 2016	129,393,564

Approximate number of Options to be issued under the Placement	
Subject to shareholder approval	66,533,632
New Options to be issued under the Entitlement Offer	
Not subject to shareholder approval	53,726,907
Options to be issued to the Underwriter	
Subject to shareholder approval	5,000,000
Total issued Options after the Placement and Entitlement Offer (without the Conditional Placement)	254,654,103

Options to be issued under the Conditional Placement	
Subject to shareholder approval	11,111,111
Total issued Options after the Capital Raising	265,765,214

The Options on issue do not carry an entitlement to participate in the Retail Entitlement Offer.

All Options are exercisable into Shares on a one for one basis. If an Option is exercised, it entitles the holder to be issued one (1) Share.

The New Options will not require shareholder approval, but the Options issued to the Underwriter and the Options issued under the Placement and Conditional Placement will require shareholder approval. Apart from this one difference, all of these Options will be granted on the same terms as the New Options – which are the same terms as the Company's existing listed Options. Refer to sections 1.14 and 5.4 for further details.

2.4 **Effect on control and dilutionary impact of the Entitlement Offer**

(a) **General**

It is not expected that the Entitlement Offer will have any material consequences on the control of the Company as at the date of this document.

The potential effect that the issue of New Shares and New Options under the Entitlement Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

The level of control of all Eligible Shareholders that do not subscribe for their full Entitlement will decrease and their percentage interests in the issued Share capital of the Company will be diluted. Such holders' interests may be further diluted through the exercise of the New

Options. Similarly, if subscribers do not exercise their New Options and others do so, they will also be diluted.

(b) **Underwriter**

The Entitlement Offer is fully underwritten by the Underwriter. The Underwriter is not presently a shareholder of the Company and is not a related party of the Company for the purposes of the Corporations Act. Due to the Underwriter's sub-underwriting arrangements and dispersment strategy, the Underwriter's underwriting commitment is not expected to have any effect on the control of the Company, however, the extent to which New Shares (and New Options) are issued to the Underwriter pursuant to the Underwriting Agreement will increase the Underwriter's voting power in the Company.

Following completion of the Placement and the Entitlement Offer, the Underwriter may acquire up to 13.82% of Shares of the Company if no other Shareholder takes up their Entitlement (on an undiluted basis). In the event of a shortfall under the Retail Entitlement Offer, the Company and the Underwriter will employ a dispersion strategy which includes the Retail Shortfall Facility so it is expected that the Underwriter's interest will actually be a lower proportion upon completion of the Entitlement Offer.

Issues of Shares	Total Company Shares	Assumptions	Shares potentially acquired by Underwriter	Underwriter's % of total Shares
Current Shares	537,269,063	Nil	0	0
133,067,264 Placement Shares	670,336,327	Nil	0	0
107,453,813 Entitlement Offer Shares	777,790,140	If 50% Entitlements are accepted by Shareholders	53,726,907	6.91%
		If 30% Entitlements are accepted by Shareholders	75,217,669	9.67%
		If 15% Entitlements are accepted by Shareholders	91,335,741	11.74%
		If no Shareholders accept any Entitlements	107,453,813	13.82%
22,222,222 Conditional Placement Shares	800,012,362	If Shareholders approve the Conditional Placement at the next general meeting of the Company	0	The percentages above will lessen slightly.

The above table has been prepared on the assumption that none of the current Options or New Options will be exercised. Each Option entitles the holder to one new Share so the exercise of Options could materially change the information represented in the table.

Further information regarding the underwriting arrangements is set out in section 5.5.

(c) Major shareholders/Directors' interests

Based on publicly available information, the largest Shareholders in the Company as at the date of this Prospectus are set out below:

Name	Number of Existing Shares Held	% of Existing Shares
Allan Buckler (and his associates), <i>Director of the Company</i>	83,081,394	20.19%
Terryjoy Pty Ltd as trustee for the T & J Smith Super Fund	78,755,813	19.14%
Paul Crawford (and his associates) <i>Director of the Company</i>	80,180,974	19.48%
Dennis O'Neill (and his associates) <i>Director of the Company</i>	70,255,241	17.07%

Paul Crawford has indicated that he intends to take up his Entitlement to approximately 3,703,703 New Shares, representing an investment of approximately \$100,000 in the Company, but that he does not intend to take up the balance of his Entitlements or to participate in any Shortfall.

The other three largest Shareholders have indicated that they do not intend to take up their rights under the Entitlement Offer or participate in any Shortfall.

None of the four Directors intend to participate in the Conditional Placement.

The following table sets out the effect on the control of the Company if Paul Crawford subscribes approximately \$100,000 towards Entitlements, and the effect on control that will occur based on the lapse of the Entitlements of the other three largest Shareholders who have indicated they do not intend to accept their Entitlements:

Name	Voting Power as at 15 July 2016	Voting Power following the Placement	Voting Power after the Entitlement Offer	Voting Power after the Conditional Placement
Allan Buckler (and his associates)	20.19%	12.39% ¹	10.68% ²	10.39% ⁴
Paul Crawford (and his associates)	19.48%	11.75% ¹	10.13% ³	9.84% ⁴
Terryjoy Pty Ltd as trustee for the T & J Smith Super Fund	19.14%	11.96% ¹	10.79% ²	10.49% ⁴
Dennis O'Neill (and his associates)	17.07%	10.48% ¹	9.03% ²	8.78% ⁴

NB. This table assumes that no other Shareholder exercises any Options or New Options.

1 Assumes no participation in Placement.

2 Assumes does not participate in Entitlement Offer or Shortfall.

3 Assumes acceptance of 3,703,703 New Shares and does not accept the balance of his Entitlements or participate in any Shortfall.

4 Assumes no participation in the Conditional Placement.

(d) **Major shareholders/Directors' interests**

Placees who participate in the Placement or the Conditional Placement have the ability to take up Shares pursuant to the Retail Shortfall Facility. It is not expected that this will have any material effect on control of the Company.

2.5 **Effect on the Company's financial position**

This section provides relevant financial information for Shareholders to consider when assessing whether to participate in the Entitlement Offer, including details of the potential impact of the Entitlement Offer on the Company's financial position.

The pro-forma financial information should be read in conjunction with the limitations set out in the 'Important Information' section of this Prospectus.

Pro-forma Statement of Financial Position

The pro-forma statement of financial position comprises the audited Statement of Financial Position for the Company as at 31 December 2015, adjusted for the following:

- (a) the Company's trading for the 6 months to 30 June 2016 based on unaudited management accounts; and
- (b) the net proceeds of the Placement and Entitlement Offer, assuming that they are successfully completed.

The pro-forma Statement of Financial Position has been prepared on the basis of accounting policies normally adopted by the Company. The financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

The pro-forma Statement of Financial Position illustrates the effect of the abovementioned pro forma adjustments and in particular the effect of the Capital Raising on the assets and liabilities of the Company as if it had been successfully completed as at 31 July 2016. It is not

intended to represent the actual financial position of the Company upon completion of the Capital Raising and is provided only as an illustration of the effect of the Capital Raising and the other pro-forma adjustments. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company.

SAYONA MINING LIMITED							
Pro-Forma Statement of Financial Positions							
	31-Dec-15	Jan-Jun 16	Proforma Jun 16	Without Conditional Placement		With Conditional Placement	
	\$	\$	\$	Raising	Pro-forma	Raising	Pro-forma
	\$	\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents	1,457,624	(1,377,355)	80,269	1,685,619	1,765,888	2,285,619	2,365,888
Trade and other receivables	59,068	-	59,068	-	59,068	-	59,068
Other financial assets	107,885	-	107,885	-	107,885	-	107,885
Other assets	34,435	-	34,435	-	34,435	-	34,435
Total Current Assets	1,659,012	(1,377,355)	281,657	1,685,619	1,967,276	2,285,619	2,567,276
NON-CURRENT ASSETS							
Other assets	4,425	-	4,425	-	4,425	-	4,425
Exploration and evaluation asset	752,556	339,922	1,092,478	4,300,000	5,392,478	4,300,000	5,392,478
Total Non-Current Assets	756,981	339,922	1,096,903	4,300,000	5,396,903	4,300,000	5,396,903
TOTAL ASSETS	2,415,993	(1,037,433)	1,378,560	5,985,619	7,364,179	6,585,619	7,964,179
CURRENT LIABILITIES							
Trade and other payables	186,214	-	186,214	-	186,214	-	186,214
Borrowings	-	-	-	-	-	-	-
Total Current Liabilities	186,214	-	186,214	-	186,214	-	186,214
TOTAL LIABILITIES	186,214		186,214	-	186,214	-	186,214
NET ASSETS	2,229,779	(1,037,433)	1,192,346	5,985,619	7,177,965	6,585,619	7,777,965
EQUITY							
Issued capital	(52,505,195)	-	(52,505,195)	(5,985,619)	(58,490,813)	(6,585,619)	(59,090,813)
Reserves	(146,959)	-	(146,959)	-	(146,959)	-	(146,959)
Accumulated losses	50,422,375	1,037,433	51,459,808	-	51,459,808	-	51,459,808
TOTAL EQUITY	(2,229,779)	1,037,433	(1,192,346)	(5,985,619)	(7,177,965)	(6,585,619)	(7,777,965)

Notes:

Balances at 31 December 2015 were the subject of audit review and released on 15 March 2016. The pro forma adjustment represents the issue of 133,067,264 Shares under the Placement, a further 107,453,812/107,453,813 Shares under the underwritten Entitlement Offer, and a further 22,222,222 Shares under the Conditional Placement, each at an issue price of \$0.027 (2.7 cents) per share.

Proceeds of the Entitlement Offer have been reduced by costs of the issue, which is estimated to be \$508,450 if the Conditional Placement is not approved by shareholders, and \$545,314 if it is approved by shareholders.

3 How to participate

3.1 What you may do — choices available

Before taking any action you should carefully read this Prospectus and the other publicly available information about the Company on our website (www.sayonamining.com.au) and consider the risk factors set out in section 4.

The number of New Shares and New Options to which Eligible Retail Shareholders are entitled is shown on the Entitlement and Acceptance Form. If you are an Eligible Retail Shareholder you may:

Alternatives	See section
• Take up your Entitlement in full or in part	3.2
• Take up your Entitlement in full and apply for Additional New Shares	3.2 and 3.3
• Allow your Entitlement to lapse	3.8

3.2 If you wish to accept your Entitlement in full or in part

Either:

Payment by cheque or bank draft

If you are paying for your New Shares by cheque, bank cheque or bank draft, complete and return the Entitlement and Acceptance form with your payment. The Share Registry must receive your completed Entitlement and Acceptance Form together with full payment for the number of New Shares for which you are applying by no later than **5pm (Brisbane time) on Wednesday, 10 August 2016**.

Your cheque, bank cheque or bank draft must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. Your payment must be for the full amount required to pay for the New Shares applied for. Payments in cash will not be accepted.

Cheques must be made payable to 'Sayona Mining Limited' and crossed 'Not Negotiable'.

You must ensure that your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your application will be rejected. We will not re-present any dishonoured cheques.

Or:

Pay by BPAY[®]

If you are paying for your New Shares by BPAY[®], please refer to your personalised instructions on your Entitlement and Acceptance Form. Please note that should you choose to pay by BPAY[®]:

- you do not need to complete or return the Entitlement and Acceptance Form but are taken to have made the declarations on that personalised Entitlement and Acceptance Form;
- amounts received by the Company in excess of the Issue Price multiplied by your Entitlement (**Excess Amount**) may be treated as an application to apply for as many Additional Shares as your Excess Amount will pay for in full;
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares as is covered in full by your Application Money.

When completing your BPAY[®] payment, please make sure to use the specific Biller Code and unique reference number provided on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form (i.e. where you have multiple holdings), please only use the reference number specific to the Entitlement on that form. If you inadvertently use the same reference number for more than one of your Entitlements, you will be deemed to have applied only for New Shares on the Entitlement to which the reference number applies.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY[®] are received by **5pm (Brisbane time) on Wednesday, 10 August 2016**.

Excess Application Money that is not sufficient to subscribe for a number of New Shares or Additional New Shares multiplied by the Issue Price will be refunded to you except where that amount is less than \$2.00, in which case it will be retained by the Company. The method by which you receive the refund will be at the discretion of the Company. No interest will be paid to Eligible Retail Shareholders on any Application Money received or refunded.

3.3 Applying for Additional New Shares

Eligible Retail Shareholders may also apply for New Shares in excess of their Entitlement (**Additional New Shares**). Please note that Additional New Shares will only be allocated to Eligible Retail Shareholders if and to the extent that the Company determines to do so, in its absolute discretion having regard to circumstances as at the time of the close of the Retail Entitlement Offer. Any Additional New Shares will be limited to the extent there are sufficient New Shares from Eligible Retail Shareholders who do not take up their full Entitlements or from New Shares that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Retail Entitlement Offer.

3.4 Scale back

The Company may scale back any application for Additional New Shares in its absolute discretion, but will not scale back any Entitlement. However, if the Retail Entitlement Offer is oversubscribed, it is the Company's current intention to scale back all applications for Additional New Shares in the same proportions.

In the event of a scale back, the difference between the Application Money received, and the number of New Shares allocated to you multiplied by the Issue Price, will be refunded by the Company, without interest, following allotment.

3.5 Acceptance of the Retail Entitlement Offer

By completing, and the Company receiving, your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY[®], you:

- (a) agree to be bound by the terms of this Prospectus and the provisions of the Company's constitution;
- (b) authorise the Company to register you as the holder(s) of the New Shares allotted to you;
- (c) declare that all details and statements made in the Entitlement and Acceptance Form are complete and accurate;
- (d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Retail Entitlement Offer;
- (e) acknowledge that once the Company receives the Entitlement and Acceptance Form or your payment by BPAY[®], you may not withdraw it except as allowed by law;
- (f) agree to apply for, and be issued with up to, the number of New Shares that your payment will pay for at the Issue Price per New Share;

- (g) authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (h) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Entitlement and Acceptance Form as being held by you on the Record Date;
- (i) acknowledge that the information contained in this Prospectus is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs, and that the Prospectus is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to ASX;
- (j) represent and warrant (for the benefit of Sayona, the Underwriter or their affiliates and respective bodies corporate) that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Institutional Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer;
- (k) acknowledge the statement of risks in section 4, and that investments in the Company are subject to risks;
- (l) represent and warrant that the law of any place (other than Australia and New Zealand) does not prohibit you from being given this Prospectus or making an application for New Shares; and
- (m) represent and warrant that you are an Eligible Retail Shareholder and have read and understood this Prospectus and the Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements contained in this Prospectus and the Entitlement and Acceptance Form.

3.6 **Acknowledgement of acceptance of Retail Entitlement Offer**

By completing, and the Company receiving, your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that you:

- (a) are not in the United States and are not a US Person (see section 5.12 below), and are not acting for the account or benefit of, a US Person and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Entitlement Offer;
- (b) acknowledge that the Entitlements and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia, New Zealand, Hong Kong or Singapore, and accordingly, the Entitlements may not be taken up, and the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- (c) agree that if in the future you decide to sell or otherwise transfer the New Shares or Additional New Shares you will only do so in regular transactions on ASX where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, in the United States or a U.S. Person;

- (d) agree to provide (and direct your nominee and custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date; and
- (e) have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States or that is a US Person, or is acting for the account or benefit of a US Person.

3.7 Address details and enquiries

Completed Entitlement and Acceptance Forms (including payment of Application Money) should be forwarded in the enclosed reply paid envelope to the Company's Share Registry by mail to the following address:

Mailing address

Sayona Mining Limited
C/- Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001

If you would like further information you can:

- Contact your stockbroker, accountant or other professional adviser; or
- Call the Sayona Retail Entitlement Offer Information Line on 1300 850 505 (within Australia) at any time from 8:30 am to 5:30 pm (Brisbane time) Monday to Friday (excluding public holidays) during the Retail Entitlement Offer period. If you are outside Australia, call on +61 3 9415 4000.

3.8 If you do not wish to accept all or any part of your Entitlement

To the extent you do not accept all or any part of your Entitlement, it will lapse.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any value in respect of the Entitlements they do not take up, and their percentage shareholding in the Company will be reduced following the issue of New Shares.

4 Risk factors

4.1 General

An investment in the Company is subject to risk. The existence of risk means that the performance of the Company could be adversely affected.

The Directors have identified what they believe to be the major risks that may affect the Company. While the Company has endeavoured to disclose all material risks, you should be aware that the risks contained in this Section are not exhaustive. This Section should be treated as a general guide only.

Due to the existence of risk, it is recommended that before deciding whether or not to invest you:

- read the Prospectus in its entirety;
- consider the nature, probability and materiality of the risks described in this Section; and
- seek independent advice from an Australian financial services licensee, in light of your particular needs, objectives, financial circumstances and investment preferences.

While the Company may be able to minimise the impact of some risks through various risk management techniques, many of the risks we have identified in this section are beyond our control and as such cannot be eliminated or their impact minimised.

You may personally be able to manage the impact of risk by obtaining independent professional advice tailored to your own investment objectives, financial situation and particular needs. You should:

- consider carefully whether an investment in the New Shares and New Options is an appropriate investment for you;
- appreciate that the price of shares listed on ASX can fall as well as rise; and
- regard an investment in the New Shares and New Options as a speculative investment.

4.2 Authier Project Acquisition and Completion Risk

Sayona has entered into a binding Mineral Claim Purchase Agreement to acquire the Authier Project. The Company has conducted reasonable due diligence enquiries on the project at its own expense during this period and has decided to proceed with the acquisition. The only material condition of the acquisition which remains to be satisfied is the completion of this fundraising.

Additionally, the Placement and Entitlement Offer will provide the company with funds to meet its anticipated expenses in 2016 but from January 2017, the Company will require further funding. The Company will investigate further funding options however there is no certainty that the Company will be able to secure funding on acceptable terms or at all.

4.3 Exploration Risk

The successful exploration and development of mineral properties is speculative. There is no assurance that exploration of the tenement portfolio, which the Company may have an interest in, will result in the discovery of a mineral deposit that can be economically mined.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may differ materially from these estimates and assumptions.

4.4 Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

In addition, many of the claims in the Authier Project are subject to ongoing royalty obligations. The amount of royalties payable in respect of a claim may have an impact on the economic viability of that claim, depending on various factors such as commodity prices and prevailing economic conditions.

4.5 Land Access

From time to time, the Company's tenements or tenements the Company has a legal or beneficial interest in, may be subject to claims or other access restrictions. In those circumstances, Sayona may have to resolve access arrangements under the relevant regime prior to entering upon the land to carry out activities. Access arrangements may be subject to provision of monetary compensation, compensation for damage to land, restoration of the land.

There can be no guarantee that applications or access arrangements will be resolved in a timely fashion, in Sayona's favour, or in manner which is commercially viable for Sayona. The Managing Director and management team closely monitors the potential effect of claims involving tenements in which the Company has or may have an interest.

4.6 Tenure

Interests in a project's tenements are governed by legislation and are evidenced by the granting of licenses or leases. Each license or lease is for a specific term and carries with it expenditure and reporting commitments, as well as other conditions requiring compliance.

In addition, an interest (or a right to earn an interest) in a project may be governed by agreements with parties which require compliance with certain conditions, commitments and obligations.

Consequently, the Company could lose title to or its interest in tenements or a project if these conditions, commitments and obligations are not met as and when they arise.

4.7 Sovereign and Political Risk

The entire Authier Project is in Québec, Canada. As a result the Company is subject to political, economic and other uncertainties, including but not limited to changes in mining and exploration policies or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual rights, foreign exchange restrictions, currency fluctuation, royalty and tax increase and other risks arising out of foreign government sovereignty over the areas in which the Company's operations are conducted.

The Company's future operations in Québec may be affected by changing political conditions and changes to laws and mining policies. The effects of these factors cannot be accurately predicted and developments may impede the operation or development of a project and even render it uneconomic.

4.8 Development Risk

There is a risk that the Company will not be able to economically mine any mineral reserves discovered in its tenement portfolio in order to produce a satisfactory commercial return. There are significant risks associated with the development of an operating mine. Before the Company can build a mine, the Company will need to obtain various regulatory approvals and licences, including environmental licences. There is no guarantee that the Company will be

able to obtain the required approvals and licences or that it will be able to comply with any conditions imposed on those approvals and licences in a cost effective manner.

There are also many operational and technical risks associated with developing and operating a mine. These risks may adversely impact the economic viability of any future mining activities.

4.9 **Environmental Risk**

Mineral exploration and development carries some level of environmental risk. The Company may require statutory approval from relevant environmental authorities before it can undertake certain activities that may impact on the environment. Development of identified mineral resources will be dependent on the project meeting environmental guidelines and gaining the required approvals from government departments.

It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

4.10 **Market Volatility**

Share market conditions may affect listed securities regardless of the operating performance of a particular company. Market conditions are affected by many factors including investor confidence, general national and global economic outlook, changes in or outlook on interest rates, changes in or outlook on inflation, commodity prices and supply of capital.

The Shares of the Company may rise or fall in price depending on market conditions and investor attitude.

4.11 **Commodity Prices**

The Company's Share price, future revenues and cash flows may be impacted by changes in the prices of minerals commodities. Commodity prices are influenced by physical and investment demand and may rise or fall. Fluctuations in commodity prices, specifically graphite and graphite products may influence individual projects in which the Company is involved. Similarly, the demand for products which graphite is used may impact commodity prices and in turn adversely affect the Company's own financial position and/or Share price.

The international prices of most commodities are denominated in United States dollars. Changes in the Australian/United States dollar exchange rate may impact the value of the Company and its Shares. Exchange rates are influenced by numerous macro-economic factors beyond the Company's control.

4.12 **Exchange Rate Risk**

The Authier project is located in Canada and all expenses and earnings associated with the project are calculated in Canadian dollars. The Canadian/Australian currency rate may rise or fall and such exchange rate movements are influenced by numerous events beyond the control of the Company. A fall in the Australian dollar value relative to the Canadian dollar prior to payment of the acquisition of the Authier Project will increase the project acquisition costs. It is impossible to determine how much such an increase may be, as past currency fluctuations or exchange rates are not indicative of likely future fluctuations or rates. It is possible that an exchange rate fluctuation may increase the price of the Authier Project acquisition in Australian dollar terms to an amount which the Board may determine is not in the best interests of the Company or to an amount which is beyond the Company's capacity to pay. A fall in the Australian dollar value relative to the Canadian dollar during operation of the project may increase the costs of the Authier Project to an amount which is not currently anticipated by the Company.

4.13 **Financial Performance**

Sayona is a mineral exploration company. The Company has no immediate source of revenue. The Company will not generate any revenue until such time as it is able to commercially mine any mineral deposit that the Company discovers or it enters into commercial agreements with other parties for the mining of those deposits.

Consequently, until Sayona is able to realise value from its projects, Sayona will incur ongoing operating losses.

4.14 **Reliance on Key Personnel**

As an exploration company, Sayona is dependent on its senior management and key personnel for the day-to-day operations and strategic management of the Company. The value of the Shares and the operations of the Company could be adversely affected by the departure of any of these employees.

5 Important information for Shareholders

5.1 Prospectus availability

Eligible Shareholders can obtain a copy of this Prospectus during the Retail Entitlement Offer period on the Company's website at www.sayonamining.com.au or by contacting the Share Registry by phone on 1300 850 505 within Australia (or on +613 9415 4000 if you are overseas) during the Retail Entitlement Offer period. If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic version of this Prospectus on the Company's website will not include a personalised Entitlement and Acceptance Form. You will only be entitled to accept the Entitlement Offer by completing and returning your personalised Entitlement and Acceptance Form, which accompanies this Prospectus, or by making payment via BPAY[®] using the information provided on your personalised Entitlement and Acceptance Form (refer to section 3 of this Prospectus for further information).

The Corporations Act prohibits any person from passing the Entitlement and Acceptance Form on to another person unless it is attached to a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

5.2 Continuous disclosure and inspection of documents

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, accordingly, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or value of the securities in the Company.

This Prospectus is a 'transaction specific prospectus'. In general terms, a 'transaction specific prospectus' is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information, and in particular the Investor Presentation, in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made all enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete. The Company, as a disclosing entity under the Corporations Act states that:

- (a) It is subject to regular reporting and disclosure obligations;
- (b) Copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC;
- (c) It will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) The annual financial report most recently lodged by the Company with ASIC;

- (ii) Disclosure documents given by the Company to ASX in accordance with Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Prospectus with ASIC. These include the following announcements:

Date lodged	Announcement
15/07/2016	Authier Project Acquisition and \$7.1 million capital raising
15/07/2016	Appendix 3B
13/07/2016	Trading Halt
11/07/2016	Appendix 3B - Conversion of Options
11/07/2016	Appendix 3B - Conversion of Options
8/07/2016	Authier JORC Resource Presentation
7/07/2016	Brasil Graphite Option Expiry and Negotiation
7/07/2016	Authier JORC Resource Estimate
1/07/2016	Change of Director's Interest Notice
30/06/2016	Appendix 3B - Exercise of Staff Options
24/06/2016	Authier Lithium Term Sheet Extension
16/06/2016	Corkwood Graphite Studies
14/06/2016	Authier Lithium Project Due Diligence Advanced
30/05/2016	Change of Director's Interest Notices
30/05/2016	Appendix 3B
24/05/2016	Appendix 3B
18/05/2016	Investor Presentation
17/05/2016	Western Australian Lithium Exploration Ramps Up
11/05/2016	Itabela Drilling Defines Broad Zones of Mineralisation
4/05/2016	Lithium Identified In First Sampling Program at Mt Edon
3/05/2016	Acquisition of Advanced Lithium Deposit
29/04/2016	Quarterly Activities Report
29/04/2016	Quarterly Cashflow Report
19/04/2016	Investor Presentation Update
12/04/2016	Pilbara Lithium Project Enhanced By New Acquisition
8/04/2016	Mt Edon Lithium Project Exploration Commences
5/04/2016	Itabela Drilling Program Completed
30/03/2016	Additional Lithium Tenements Acquired in WA
21/03/2016	Appendix 3B
17/03/2016	Strategic Entry into the Western Australian Lithium Market
15/03/2016	Half Year Accounts
8/03/2016	Itabela Drilling Program Update
29/02/2016	Itabela Drilling Program Commenced
19/02/2016	Itabela Drilling Program

Date lodged	Announcement
17/02/2016	Corkwood Drilling - Broad Zones of Graphite Mineralisation
27/01/2016	Quarterly Activities Report
27/01/2016	Quarterly Cashflow Report
20/01/2016	Investor Presentation January 2016
14/01/2016	Western Iron Tenement at the Corkwood Project Acquired
18/12/2015	Brasil Graphite Option Agreement Restructured
15/12/2015	Corkwood Drilling Program Completed
8/12/2015	Corkwood Drilling Intercepts Broad Graphite Mineralisation
2/12/2015	Brasil Graphite Option Expiry and Renegotiation
2/12/2015	East Kimberley Drilling Commences
27/11/2015	Change of Director's Interest Notice
26/11/2015	Appendix 3B
19/11/2015	Results of Meeting
16/11/2015	Exploration Update
29/10/2015	Quarterly Activities Report
29/10/2015	Quarterly Cashflow Report
23/10/2015	Notice of Annual General Meeting/Proxy Form

5.3 Rights of the New Shares

The following is a summary of the more significant rights attaching to New Shares being offered under this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice. Full details of the rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered address.

(a) Share capital

Subject to the constitution:

- (i) all matters relating to the issue of shares shall be under the control of the Directors who may issue, allot or otherwise dispose of the same to such person or persons on such terms and conditions and with such rights and privileges attached and at such times as the Directors may think fit; and
- (ii) any resolution passed in accordance with the constitution for the alteration of capital, the Directors may issue new shares with or without any special conditions, preferences or priority either as to dividends or capital or both with any other special rights or advantages. In the absence of any special conditions or rights, such new shares when issued shall be held upon the same conditions as if they had been ordinary shares in the original capital, and shall be subject to the provisions of the constitution that relate to ordinary shares in the Company.

(b) Voting rights

Subject to the constitution and to any rights or restrictions attached to any class or classes of Shares, at a general meeting:

- (i) each Shareholder entitled to vote may vote in person or by proxy, representative or attorney;
- (ii) on a show of hands, every Shareholder present has one vote; and
- (iii) on a poll, every Shareholder present has one vote for each share held by the Shareholder entitling the Shareholder to vote, except for partly paid shares, each of which confers on a poll only the fraction of one vote which the amount paid (not credited) bears to the total amounts paid or payable (excluding amounts credited) on the share. An amount paid in advance of a call is disregarded for this purpose.

(c) **General meetings**

Shareholders are entitled to receive written notice of and attend and vote at general meetings of the Company. Annual general meetings of the Company are held in accordance with the Corporations Act.

(d) **Dividend rights**

Subject to the Corporations Act, the Company's profits which the Directors determine to distribute by way of dividends are divisible amongst the holders of Shares in proportion to the amounts paid (excluding any amount paid or credited as paid in advance of a call) on the Shares at the date of declaration of the dividend.

(e) **Transfer of Shares**

Generally, all Shares are freely transferable subject to the procedural requirements of the constitution and to the provisions of the Corporations Act, Listing Rules and ASX Settlement and Transfer Corporation Pty Limited (**ASTC**) Settlement Rules. If, when permitted to do so, the Directors refuse to register a transfer of shares, the Company must give notice of the refusal and the precise reasons for such action within 5 business days after the date on which the transfer was lodged by the Company.

(f) **Winding-up**

Subject to the rights of holders of Shares issued on special terms and conditions, on a winding up of the Company, the liquidator, with the sanction of a special resolution of the Company, may:

- (i) divide in specie among the contributories of the Company any part of the surplus assets (being those assets of the Company which, upon the winding up of the Company, remain after payment of debts and liabilities of the Company and the costs of winding up); and
- (ii) may vest any part of the surplus assets in trustees on such trusts for the benefit of the contributories or any of them as the liquidator shall think fit.

(g) **Variation of rights**

At present, the Company only has ordinary Shares on issue and has no current plans to create further classes of Shares. The rights and restrictions attaching to a class of the Company's Shares shall not at any time, be varied without:

- (i) the consent in writing of the holders of 75% of the issued shares of that class; or
- (ii) the sanction of a special resolution passed at a separate meeting of holders of the shares of that class.

(h) Number of Directors

The constitution provides that the Company may from time to time by resolution at a meeting increase or reduce the number of Directors. Currently, the number of Directors must not be less than 3 or more than 9.

5.4 New Options

The New Options to be issued pursuant to this Prospectus will be issued on the following terms and conditions:

(a) Entitlement

Each New Option shall entitle the holder to subscribe for one (1) Share upon exercise of the New Option.

(b) Exercise Price and Date

The New Options are exercisable wholly or in part at any time prior to 5pm (Brisbane time) on the expiry date of 30 December 2016 (**Expiry Date**), at the exercise price of 3 cents (\$0.03) as indicated on the option certificate or holding statement. New Options not exercised by the Expiry Date shall lapse.

(c) Notice of Exercise

Each New Option may be exercised by notice in writing to the Company, together with the payment for the number of Shares in respect of which the New Options are exercised, at any time before the Expiry Date. Any notice of exercise of an Option received by the Company will be deemed to be a notice of exercise of that Option as at the date of receipt of the notice and accompanying payment (**Exercise Date**).

(d) Timing of issue of Shares on exercise

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if admitted to the official list of the ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

(e) Change in exercise price

A New Option does not confer the right to a change in exercise price or a change in the number of the underlying Shares over which the New Options can be exercised.

(f) Shares issued on exercise

Shares issued upon exercise of the Options will rank equally in all respects with the then issued fully paid ordinary shares of the Company.

(g) Quotation

The Company will apply for quotation of the New Options on the ASX. The Company will apply for quotation on ASX of all Shares issued upon exercise of the New Options.

(h) Transferability

Subject to the Corporations Act, the Constitution and the ASX Listing Rules, the New Options are freely transferable.

(i) Participation Rights

There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the New Options. However, the Company will ensure that for the purposes of determining Entitlements to any such issue, the record date will be at least 4 Business Days after the issue is announced so as to give New Option holders the opportunity to exercise their New Options before the date for determining entitlements to participate in any issue.

(j) **Reconstruction of Capital**

If at any time the issued capital of the Company is reorganised, the rights of a New Option holder are to be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

5.5 Underwriting arrangements

On 15 July 2016, Sayona entered into the Underwriting Agreement under which Bizzell Capital Partners Pty Ltd has agreed to manage the Placement and Entitlement Offer (and fully underwrite the Entitlement Offer of \$2,901,252), and has the option of pursuing the Conditional Placement.

The following is a summary of the principal provisions of the Underwriting Agreement.

(a) **Company's representations, warranties and undertakings**

Under the Underwriting Agreement the Company makes various customary representations and warranties in relation to this Prospectus, the Entitlement Offer, its compliance with applicable laws and the information provided by the Company to the Underwriter. The Company also provides various customary undertakings to the Underwriter.

(b) **Termination events**

The Underwriter may terminate any of its obligations under the Underwriting Agreement (which have not been performed) if any of a number of specified events occur. These specified events are:

- (i) **S & P/ASX 200 Index fall:** if the S & P/ASX 200 Index is, at any time for 5 consecutive Business Days after the date of the Underwriting Agreement, prior to the allotment date more than 10% below the level of that Index at the close of ASX trading on the trading day before the date of lodgement of the offer materials;
- (ii) **adverse change:** any material adverse change occurs in the assets, liabilities, share capital, share structure, financial position or performance, profits, losses or prospects of the Company and the group (insofar as the position in relation to an entity in the group affects the overall position of the Company) from those respectively disclosed in the accounts, offer material or the public information, including:
 - (A) any material adverse change in the reported earnings or future prospects of the Company or an entity in the group;
 - (B) any material adverse change in the nature of the business conducted by the Company or an entity in the group; or
 - (C) the insolvency or voluntary winding up of the Company or an entity in the group or the appointment of any receiver, receiver and manager, liquidator or other external administrator; or
 - (D) any material adverse change to the rights and benefits attaching to in Shares; or
 - (E) any change that may have a material adverse effect.

- (iii) **withdrawal:** the Company withdraws the Entitlement Offer;
- (iv) **repayment:** any circumstance arises after lodgement of the offer materials that results in the Company either repaying the money received from applicants (other than to applicants whose applications were not accepted in whole or in part) or offering applicants an opportunity to withdraw their applications for securities the subject of the Entitlement Offer and be repaid their application money; or
- (v) **no certificate:** A certificate which is required to be furnished by the Company under the Underwriting Agreement is not furnished when required;
- (vi) **capital structure:** other than as contemplated by the offer material, the Company or any related body corporate of the Company takes any steps to alter its capital structure without the prior written consent of the Underwriter;
- (vii) **judgment:** a judgment in an amount exceeding \$100,000 is obtained against the Company or a Related body corporate of the Company and is not set aside or satisfied within 21 days;
- (viii) **process:** any distress, attachment, execution or other process of a governmental agency in an amount exceeding \$100,000 is issued against, levied or enforced upon any of the assets of the Company or a related body corporate of the Company and is not set aside or satisfied within 21 days;
- (ix) **financial assistance:** the Company or a related body corporate passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriter;
- (x) **suspends payment:** the Company or a related body corporate of the Company suspends payment of its debts generally;
- (xi) **insolvency:** the Company or a related body corporate of the Company is or becomes unable to pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act) or is presumed to be insolvent under the Corporations Act;
- (xii) **arrangements:** the Company or a related body corporate of the Company enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (xiii) **ceasing business:** other than as contemplated by the offer materials, the Company or a related body corporate of the Company ceases or threatens to cease to carry on business;
- (xiv) **disclosures in the offer materials:** a statement contained in the offer materials is materially misleading or deceptive, or a matter required by the Corporations Act is omitted from the offer materials;
- (xv) **market conditions:** any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or in the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriter reached in good faith after consultation with the Company, it is impracticable to market the Offer or to enforce contracts to issue, allot or transfer the Securities or that the success of the Offer is likely to be adversely affected;
- (xvi) **disclosures in Due Diligence Questionnaire:** any information supplied by or on behalf of the Company to the Underwriter in relation to the group or the

Entitlement Offer as part of the due diligence process is or becomes materially misleading or deceptive;

- (xvii) **material contracts:** termination (other than those that terminate due to the effluxion of time) or a material amendment of any material contract of the Company in both cases which have a material adverse effect on the Company;
- (xviii) **hostilities:** hostilities political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Indonesia, Singapore, Malaysia, Hong Kong, North Korea or the Peoples Republic of China or a significant terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (xix) **general trading suspensions:** trading in securities generally has been suspended or materially limited, for at least one trading day, by any of the New York Stock Exchange, the London Stock Exchange or the ASX;
- (xx) **change in management:** a change in the board of Directors of the Company occurs to which the Underwriter does not consent within 5 Business Days of the change, which consent shall not be unreasonably withheld or delayed;
- (xxi) **legal proceedings and offence by Directors:** any of the following occurs:
 - (A) material legal proceedings are commenced against the Company; or
 - (B) any Director is disqualified from managing a corporation under section 206A Corporations Act; or
- (xxii) **change to constitution:** other than as contemplated by the offer materials, prior to the allotment date, a change to the constitution of the Company or the Company's capital structure occurs without the prior written consent of the Underwriter;
- (xxiii) **compliance with regulatory requirements:** a material contravention by the Company or any entity in the group of the Corporations Act, the Listing Rules, its constitution or any other applicable law or regulation;
- (xxiv) **offer materials to comply:** the offer materials or any aspect of the Entitlement Offer does not materially comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- (xxv) **notifications:** any of the following notifications are made:
 - (A) an application is made by ASIC for an order under Part 9.5 Corporations Act in relation to the Offer Document or ASIC commences any investigation or hearing under Part 3 *Australian Securities and Investments Commission Act 2001 (Cth)* in relation to the Offer Document; and
 - (B) the Company or an entity in the group issues a public statement concerning the Entitlement Offer which has not been approved by the Underwriter in circumstances where such approval is required under the Underwriting Agreement; or
- (xxvi) **breach:** the Company breaches any of their material obligations under the Underwriting Agreement;

- (xxvii) **representations and warranties:** any representation or warranty contained in this Agreement on the part of the Company is breached or becomes false, misleading or incorrect to a material extent;
- (xxviii) **prescribed occurrence:** an event specified in section 652C(1) or section 652C(2) Corporations Act, but replacing 'target' with 'Company'; or
- (xxix) **timetable:** an event specified in the timetable is delayed for more than 3 Business Days other than as the result of actions taken by the Underwriter (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the Underwriter' prior consent).
- (xxx) **change in laws:** any of the following occurs which does or is likely to prohibit, materially restrict or regulate the Entitlement Offer or materially reduce the likely level of valid applications or materially affects the financial position of the Company or has a material adverse effect of the success of the offer:
 - (A) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia; or
 - (B) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory or the Reserve Bank of Australia;
- (xxxi) **failure to comply:** the Company or any related body corporate of the Company fails to comply with any of the following:
 - (A) a provision of its constitution;
 - (B) any statute;
 - (C) any agreement entered into by it.

If an event referred to in this clause occurs, the Underwriter may not terminate unless it reasonably believes that the event has or is likely to have a materially adverse effect on the outcome of the Entitlement Offer or could give rise to liability for the Underwriter under any law or regulation and the Underwriter has afforded the Company a reasonable time (not exceeding 5 Business Days) to remedy the event if the event is capable of remedy.

(c) **Fees, costs and expenses**

The Underwriter will receive, exclusive of GST:

- (i) a management fee of 2.0% of the value of all new Shares issued by Sayona under the Placement, the Entitlement Offer and the Conditional Placement;
- (ii) a placement fee of 3.0% of the value of all new Shares issued by Sayona under the Placement and Conditional Placement;
- (iii) an underwriting fee of 5.0% of the value of all New Shares issued by Sayona and underwritten by BCP;
- (iv) payment of its legal fees up to \$10,000.

The Underwriter is also to be granted 5 million New Options, which will be granted on the same terms as the New Options.

Additionally, the Underwriter may also be reimbursed for reasonable costs of, and incidental to, the Entitlement Offer.

(d) Indemnity

The Company has, subject to certain limitations, agreed to indemnify the Underwriter and each of their officers, agents and employees (**Indemnified Party**) against any claims and losses directly or indirectly suffered or incurred by an Indemnified Party in respect of the Entitlement Offer.

(e) Other

The Underwriter has not authorised or caused the issue of this Prospectus and takes no responsibility for any information in this Prospectus or any action taken by you on the basis of such information. To the maximum extent permitted by law, the Underwriter excludes and disclaims all liability, for any expense, losses, damages, or costs incurred by you as a result of your participation in the Entitlement Offer and the information in this Prospectus being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

5.6 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner:

- (a) has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:
 - (i) the formation or promotion of the Company; or
 - (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Entitlement Offer under this Prospectus; or
 - (iii) the Entitlement Offer under this Prospectus, or
- (b) has been paid or has agreed to be paid or has received or has agreed to receive any benefits:
 - (i) to induce them to become or to qualify as a Director; or
 - (ii) for services rendered by them in connection with the formation or promotion of the Company or the Entitlement Offer under this Prospectus.

The relevant interests of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below. The combined interests of the Directors and other holders is also shown on an undiluted basis.

Director	Shares held as at 15 July 2016	% of Company Shares as at 15 July 2016	Listed Options held	Unlisted Options held	Entitlements (New Shares) Intended to be accepted ¹	Value of New Shares to be subscribed (\$) ²
Mr Allan Charles Buckler	83,081,394	15.46%	2,000,000	5,000,000	0	\$0
Mr Paul Anthony Crawford	80,180,974	14.92%	0	3,500,000	3,703,703 ¹	\$100,000
Mr Dennis Charles O'Neill	70,255,241	13.08%	1,000,000	5,000,000	0	\$0
Mr James Stuart Brown	1,648,295	0.30%	400,000	5,000,000	0	\$0
Total	235,165,904	43.77%	3,400,000	18,500,000	3,703,703	\$100,000

Notes:

¹Each two New Shares accepted will entitle the person to also receive one New Option. Each New Option will be exercisable on a 1:1 basis at the exercise price of 3 cents (\$0.03) per Share, expiring on 30 December 2016. This table assumes there are no changes in the Directors' holdings prior to the Record Date.

²This amount does not include any funds raised via the exercise of the New Options.

The Directors have confirmed that they do not intend to participate in the Entitlement Offer or the Placement or Conditional Placement, other than Paul Crawford who will subscribe for committed to take up a proportion of their Entitlement subject to compliance with the Corporations Act. Refer to Section 2.4 for differing scenarios.

5.7 Related party disclosure

From time to time the Company may be party to transactions with related parties including:

- (a) Employment and service arrangements;
- (b) Issue of securities to Directors or entities associated with Directors; and
- (c) Payment of Director's fees.

The Company believes that it has made appropriate disclosure of past related party transactions and other than the further disclosure made in this section Prospectus does not intend to make any further disclosure of such transactions, which will either proceed on an 'arm's length basis', be reasonable remuneration or be approved by Shareholders in general meeting.

5.8 Interests of experts and advisers

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- (a) has any interest, or has had any interest during the last two years, in the formation or promotion of the Company, or in property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer of the New Shares; or
- (b) has been paid, or has agreed to be paid, any amount and has received or has agreed to receive any benefit that has been given, or agreed to be given, in connection with the services provided by the person in connection with the formation or promotion of the Company, or the Offer of the New Shares and New Options.

GRT Lawyers have acted as legal adviser to the Entitlement Offer and have generally advised in relation to due diligence enquiries and are entitled to receive \$35,000 plus outlays and GST in respect of these services. Further amounts may be paid to GRT Lawyers in accordance with their usual time-based charge-out rates.

The Lead Manager and Underwriter is entitled to receive the fees and expenses set out in section 5.21 of this Prospectus.

5.9 Consents to be named

The following persons have given and have not, prior to the lodgement of this Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus in the form and context in which they are named.

- (a) GRT Lawyers has consented in writing to be named in this Prospectus as solicitors for the Company and has not withdrawn that consent prior to this Prospectus being lodged with ASIC.
- (b) Bizzell Capital Partners Pty Ltd has consented in writing to be named in this Prospectus as Lead Manager and Underwriter and has not withdrawn that consent prior to this Prospectus being lodged with ASIC.
- (c) Computershare Investor Services Pty Limited has consented in writing to be named in this Prospectus as the share registry for the Company and has not withdrawn that consent prior to this Prospectus being lodged with ASIC.

5.10 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on the ASX. The highest, lowest and last market sale prices of the Shares on ASX during the three calendar months immediately preceding the date of issue of this Prospectus is set out below:

	Date	Price
3 month high	21 April 2016	\$0.061
3 month low	28 June 2016	\$0.029
Last market sale price	12 July 2016	\$0.037

5.11 Subsequent events

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus, the Investor Presentation or other ASX disclosures which is likely, in the opinion of the Directors, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company.

5.12 Shareholders outside Australia and New Zealand

(a) General restrictions

This Prospectus and accompanying Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New Shares and the New Options, or to otherwise permit an offering of New Shares and the New Options, outside Australia and New Zealand. The New Shares and the New Options may not be offered in a jurisdiction outside Australia and New Zealand where such an offer is not made in accordance with the laws of that place.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons who come into possession of this document outside Australia and New Zealand should seek advice on and observe any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

It is the responsibility of any applicant to ensure compliance with any laws of the country relevant to their application. Return of a duly completed Entitlement and Acceptance Form and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws and that the applicant is physically present in Australia and New Zealand.

(b) New Zealand securities law requirements

The New Shares and the New Options are not being offered or sold to the public in New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares and the New Options is being made in reliance on the transitional provisions of the *Financial Markets Conduct Act 2013* (New Zealand) and the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand).

This Prospectus contains an offer to eligible shareholders of continuously quoted securities and has been prepared in accordance with section 713 of the Australian Corporations Act. This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (New Zealand). This Prospectus is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

(c) United States

The New Shares and the New Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, a US person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

This Prospectus is neither an offer to sell nor a solicitation of an offer to buy securities as those terms are defined under the US Securities Act. The Entitlement Offer is not being made to US persons or persons in the United States.

(d) Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (Companies Ordinance), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorise or register this

document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares (and New Options) have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares and New Options has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares and New Options that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares and New Options may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

(e) Singapore

This document and any other materials relating to the New Shares and New Options have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares and New Options, may not be issued, circulated or distributed, nor may the New Shares and New Options be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's Shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares and New Options being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares and New Options. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

(f) Ineligible Retail Shareholders

The Company is not extending the Retail Entitlement Offer to Ineligible Retail Shareholders having regard to the cost of complying with legal and regulatory requirements outside Australia, New Zealand, Hong Kong or Singapore, the number of Ineligible Retail Shareholders and the number and value of New Shares and the New Options which could be offered to Ineligible Retail Shareholders.

Where this Prospectus has been dispatched to Ineligible Retail Shareholders, it is provided for information purposes only.

In limited circumstances the Company may elect to treat as Eligible Retail Shareholders certain Shareholders who would otherwise be Ineligible Retail Shareholders, provided the Company is satisfied that it is not precluded from lawfully

issuing New Shares and the New Options to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

5.13 **Notice to nominees and custodians**

Nominees and custodians which hold Shares as nominees or custodians will have received, or will shortly receive, a letter from Sayona. Nominees and custodians should consider carefully the contents of the letter and note in particular that the Retail Entitlement Offer is not available to Eligible Institutional Shareholders who were invited to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not) and Institutional Shareholders that were ineligible to participate in the Institutional Entitlement Offer.

Sayona is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of securities. Where any nominee or custodian is acting on behalf a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Retail Entitlement Offer is compatible with applicable foreign laws. Any person in the United States or any US Person with a holding through a nominee may not participate in the Retail Entitlement Offer. Nominees and custodians may not distribute any part of this Prospectus in the United States or in any other country outside of Australia, New Zealand, Hong Kong or Singapore.

5.14 **Taxation consequences**

The taxation consequences of any investment in New Shares will depend upon your particular circumstances. Potential investors must make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

5.15 **Privacy**

If you complete an Entitlement and Acceptance Form and apply for New Shares and the New Options (and Additional New Shares and New Options), you will be providing personal information to Sayona, its agents, contractors and third party service providers. Sayona, its agents, contractors and third party service providers will collect, hold and use that information to assess your acceptance, carry out administration of your shareholding, service your needs as a Shareholder and facilitate corporate communications.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, print service providers, mail houses and the Share Registry.

Failure to provide the required personal information may mean that your acceptance is not able to be processed efficiently, if at all.

You may request access to your personal information held by (or on behalf of) Sayona and by the Share Registry. You can request access to, or the updating of, your personal information by telephoning or writing to Sayona or the Share Registry using the details shown in the Corporate Directory.

The collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) and the Corporations Act.

5.16 **Forward looking statements**

Forward looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Entitlement Offer.

5.17 Past performance

Past Share price performance provides no guarantee or guidance as to future Share price performance. Past performance information given in this Prospectus is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The historical information in this Prospectus is, or is based upon information that has been released to the market. For further information, please see past announcements released to the ASX.

5.18 Risks

Please consult with your stockbroker, accountant or other independent professional adviser if you have any queries or are uncertain about any aspect of the Retail Entitlement Offer.

Section 4 details important factors and risks that could affect the financial and operating performance of Sayona. You should consider these risk factors carefully in light of your personal circumstances, including financial and taxation issues, before making an investment decision in connection with the Retail Entitlement Offer.

5.19 Disclaimer of representations

No person is authorised to give any information or make any representation in connection with the Retail Entitlement Offer, which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Sayona in connection with the Retail Entitlement Offer. Except as required by law, and only to the extent so required:

- (a) none of Sayona, or any person, warrants or guarantees the future performance of Sayona or any return on any investment made pursuant to the information contained in this Prospectus; and
- (b) Sayona, its officers, employees and advisers disclaim all liability that may otherwise arise due to the Prospectus being inaccurate or incomplete in any respect.

5.20 ASX waivers and ASIC relief

The Company has confirmed that no waivers from the ASX Listing Rules are required in relation to the Entitlement Offer. The Company is relying on ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84, but no other specific ASIC relief, in order to conduct the Entitlement Offer.

5.21 Expenses of the Entitlement Offer

The \$2.9 million to be raised pursuant to the Entitlement Offer represents 44.68% of the total funds to be raised under the Placement and Entitlement Offer and 40.90% of the funds to be raised under the Placement, Conditional Placement and Entitlement Offer.

The total expenses of raising funds under the Placement, Conditional Placement and the Entitlement Offer are estimated to be approximately \$545,314 (excluding GST). If the Conditional Placement does not occur, the total expenses of raising funds under the Placement and the Entitlement Offer are estimated to be approximately \$508,450 (excluding GST).

The proportion of these attributable to the Entitlement Offer, and proposed application of funds, are set out in the following table:

Expense	Total Fees if Conditional Placement completes	Total Fees if Conditional Placement does not complete	Proportion of Total Fees attributable to the Entitlement Offer (assuming completion of Conditional Placement)	Proportion of Total Fees attributable to the Entitlement Offer, as a % of total funds raised (assuming non-completion of Conditional Placement)
ASIC fees	\$2,350	\$2,350	\$2,350	100%
ASX fees	\$15,657	\$14,794	\$4,167	28.2%
Legal fees	\$45,000	\$45,000	\$14,314	31.8%
Lead Manager Management Fee	\$141,881	\$129,881	\$58,025	44.7%
Lead Manager Placement Fee	\$167,713	\$143,713	-	0%
Underwriting Fee	\$145,063	\$145,063	\$145,063	100%
Legal costs of Underwriter	Up to \$10,000	Up to \$10,000	Up to \$10,000	100%
Share registry fee (including printing and dispatch)	\$17,650	\$17,650	\$12,500	70.8%
TOTAL	\$545,314	\$508,451	\$264,428	

Note: To the extent the Itabela Project is renegotiated on terms acceptable to the Company, the Company may apply some of the proceeds to acquire the Itabela Project.

5.22 Authorisation and disclaimers

This Prospectus is issued by, and is the sole responsibility of Sayona Mining Limited.

None of the parties referred to in the Corporate Directory of the Prospectus (other than Sayona), has:

- (a) authorised or caused the issue of this Prospectus; or
- (b) made or authorised the making of any statement that is included in this Prospectus or any statement on which a statement in this Prospectus is based.

To the maximum extent permitted by law, each of the parties referred to in the Corporate Directory of this Prospectus (other than Sayona) expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

In particular, Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company.

5.23 Governing law

This Prospectus, the Retail Entitlement Offer and the contracts formed on acceptance of applications are governed by the laws applicable in Queensland, Australia.

5.24 Interpretation

Some capitalised words and expressions used in this Prospectus have meanings which are explained in section 7.

A reference to time in this Prospectus is to the local time in Brisbane, Australia, unless otherwise stated. All financial amounts in this Prospectus are expressed in Australian dollars, unless otherwise stated.

5.25 No handling fees

There will be no handling fees payable to brokers for Entitlement and Acceptance Forms lodged by them on behalf of Eligible Retail Shareholders.

6 Directors' authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Dated: 15 July 2016



Mr Paul Crawford
Director

For and on behalf of
Sayona Mining Limited

7 Definitions

Additional New Shares	New Shares which Eligible Retail Shareholders apply for in excess of their Entitlement.
Conditional Placement	The offer of, and subscription for, additional Shares at a price of 2.7 cents each, intended to raise \$600,000 for the Company, pursuant to the Underwriting Agreement.
Application Money	Money received in respect of an application for New Shares and Additional New Shares (if applicable).
ASIC	The Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as applicable.
Board	The board of Directors.
Capital Raising	The Placement, the Entitlement Offer and the Conditional Placement and any proceeds received by the Company as a result of these.
Closing Date	The last day for payment of Application Money and return of Entitlement and Acceptance Forms being, 5pm (Brisbane time) on Wednesday, 10 August 2016 (unless extended).
Company or Sayona	Sayona Mining Limited ACN 091 951 978.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Eligible Institutional Shareholder	An institutional shareholder to whom Listing Rule 7.7.1(a) does not apply and who received an offer under the Institutional Entitlement Offer.
Eligible Retail Shareholder	A Shareholder as described in section 1.3 of this Prospectus.
Eligible Shareholder	An Eligible Institutional Shareholder or an Eligible Retail Shareholder.
Entitlement	The entitlement to one (1) New Share for every five (5) Shares held on the Record Date. The entitlement of each Eligible Retail Shareholder is shown on the personalised Entitlement and Acceptance Form.
Entitlement Offer	The pro-rata accelerated non-renounceable entitlement offer to subscribe for New Shares on the basis of one (1) New Share for every five (5) Shares held by each Shareholder as at Record Date, together with one (1) free attaching New Option for every two (2) New Shares issued.
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Prospectus.
Ineligible Institutional Shareholders	An Institutional Shareholder: <ul style="list-style-type: none"> • who has a registered address outside Australia and New Zealand and any other jurisdictions as Sayona and the Underwriter agree in the Underwriting Agreement;

	<ul style="list-style-type: none"> • to whom Listing Rule 7.7.1(a) applies; and • who in the absence of Listing Rule 7.7.1(a) would have been an Eligible Institutional Shareholder.
Ineligible Retail Shareholder	A retail shareholder who is not an Eligible Retail Shareholder.
Institutional Entitlement Offer	The offer of New Shares (and the New Options) to Eligible Institutional Shareholders as part of the Entitlement Offer.
Institutional Investor	<p>A person:</p> <ul style="list-style-type: none"> • in Australia, to whom an offer of shares in a company may be made in Australia without a disclosure document (as defined in the Corporations Act) on the basis that such a person is an 'exempt investor' as defined in section 9A(5) of the Corporations Act (as inserted by ASIC Class Order 08/35); or • in selected jurisdictions outside Australia, to whom an offer of New Shares and New Options may be made without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that foreign jurisdiction (except to the extent to which Sayona, at its absolute discretion, is willing to comply with such requirements).
Institutional Shareholder	A Shareholder on the Record Date who is an Institutional Investor.
Investor Presentation	The various investor presentations announced to the ASX in 2015 and 2016.
Issue Price	2.7 cents (\$0.027) per New Share.
Lead Manager	Bizzell Capital Partners Pty Ltd.
Listing Rules	The official listing rules of ASX, as amended or waived by ASX from time to time.
Management	The senior management team of the Company.
New Option	A free attaching option to acquire a Share, exercisable at 3 cents (\$0.03) per Share on or before 30 December 2016 to be listed on the ASX and otherwise on the terms set out in this Prospectus.
New Shares	Shares offered under the Entitlement Offer.
Option	An option to acquire a Share.
Placement	The offer and acceptance of placements of Shares and, subject to shareholder approval, Options to various persons pursuant to the Company's placement capacity under the ASX Listing Rules 7.1 and 7.1A, from Wednesday 13 July 2016 to Monday 18 July 2016.
Placement Participant	A person who accepts Shares under the Placement.
Prospectus	This document.
Record Date	7pm (Brisbane time) on Tuesday, 19 July 2016.

Register	The register of Shareholders required to be kept under the Corporations Act.
Retail Entitlement Offer	The offer of New Shares and New Options made under this Prospectus.
Retail Shortfall Facility	The offer of Additional New Shares to Eligible Retail Investors that have fully subscribed to the Entitlement Offer as described in section 1.4.
Share	A fully paid ordinary share in the Company.
Share Registry	Computershare Investor Services Pty Limited.
Shareholder	A holder of Shares.
TERP	The theoretical price at which Shares should trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the theoretical ex-rights price.
Underwriter	Bizzell Capital Partners Pty Ltd.
Underwriting Agreement	the underwriting agreement between Sayona and the Underwriter dated on or about 15 July 2016.
US or United States	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia.
US Person	The meaning given in Regulation S under the US Securities Act.
US Security Act	The <i>United States Securities Act of 1933</i> , as amended.

CORPORATE DIRECTORY

Directors

Paul Anthony Crawford (Executive Director)
Dennis Charles O'Neill (Managing Director)
Allan Charles Buckler (Non-Executive Director)
James Stuart Brown (Non-Executive Director)

Company Secretary

Paul Anthony Crawford

Registered Office

Unit 68, 283 Given Terrace
Paddington QLD 4064

Lead Manager and Underwriter

Bizzell Capital Partners
Level 9, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Lawyers to the Company

GRT Lawyers
Level 2, 400 Queen Street
Brisbane QLD 4000

Auditors

Hayes Knight Audit (Qld) Pty Ltd
Level 23, 10 Eagle Street
Brisbane QLD 4000

Share Registry

Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101

Contact Details

Web: <http://www.sayonamining.com.au/>
Email: info@sayonamining.com.au
Telephone: 07 3369 7058
Facsimile: 07 3300 9213

ASX Code: SYA

SYA

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

For all enquiries:

Phone:
 (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000

Web:
 www.investorcentre.com/contact

Make your payment:

 See overleaf for details of the Offer and how to make your payment

Non-Renounceable Entitlement Offer - Entitlement and Acceptance Form

 **Your payment must be received by 5:00pm (AEST) Wednesday 10 August 2016**

This is an Entitlement and Acceptance Form for New Shares and free attaching Options in Sayona Mining Limited ABN 26 091 951 978 under the Retail Entitlement Offer on the terms set out in the Prospectus dated 15 July 2016.

The Prospectus contains information relevant to a decision to invest in New Shares and free attaching Options (and, if applicable to you, Additional New Shares) and you should read the entire Prospectus carefully before applying for New Shares and free attaching Options (and, if applicable to you, Additional New Shares). Capitalised words and certain terms used in this Entitlement and Acceptance Form have the meaning given to them in the Prospectus.

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Offer are shown overleaf.

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESSE sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Prospectus dated 15 July 2016.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip with BPAY payment.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "**Sayona Mining Limited**" and cross "**Not Negotiable**". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Entitlement and Acceptance Form with Additional Shares

X 9999999991

IND

STEP 1

Registration Name & Offer Details

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

 For your security keep your SRN/
HIN confidential.

Entitlement No: 12345678

Offer Details: Existing shares entitled to participate as at
7:00pm (AEST) Tuesday 19 August 2016:

12,500

Entitlement to New Shares
on a 1 for 5 basis:

2,500

Amount payable on full acceptance
at \$0.027 per New Share:

\$67.50

STEP 2

Make Your Payment



Bill Code: 123456
Ref No: 1234 5678 9123 4567 89

Pay by Mail:



Make your cheque, bank draft or money order payable to "**Sayona Mining Limited**" and cross "**Not Negotiable**".

Return your cheque with the below payment slip to:
Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your payment from your cheque or savings account.

Lodgement of Acceptance

If you are applying for New Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5:00pm (AEST) Wednesday 10 August 2016. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor Sayona Mining Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5:00pm (AEST) Wednesday 10 August 2016. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor Sayona Mining Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

[Detach here](#)

Sayona Mining Limited Acceptance Payment Details

Entitlement taken up:

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Number of Additional New Shares applied for:

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Amount enclosed at \$0.027 per New Share:

A\$

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Entitlement No: 12345678

Payment must be received by 5:00pm (AEST) Wednesday 10 August 2016

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Contact Details

Contact

Name _____

Daytime

Telephone _____

Cheque Details

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

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A\$

123456789123456789+000000001-3051+14