SAYONA MINING LIMITED

ABN 26 091 951 978

ANNUAL REPORT

2013

Your Directors present their report of the Company and its controlled entities for the year to 30 June 2013. The Company changed its name to Sayona Mining Limited on 27 May 2013.

DIRECTORS

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

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
D.C. O'Neill	5	5
P.A. Crawford	5	5
P. van Riet-Lowe	5	4
W. Osterberg	5	5
L.T. Siwawa (Resigned 26 April 2013)	4	-
J. G. Allan (Resigned 22 July 2013)	5	2
M. N. Gray (Resigned 22 July 2013)	5	4
A. C. Buckler (Appointed 4 August 2013)	-	-
J. S. Brown (Appointed 12 August 2013)	-	-

COMPANY SECRETARY

Mr Paul Crawford appointed Company Secretary on 22 August 2012. Mr Crawford is a CPA and holds accounting, company secretarial and business law qualifications. He has been a Director of the Company since its incorporation. Prior to this Mr Stewart McIntosh was Company Secretary.

PRINCIPAL ACTIVITY

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

OPERATING AND FINANCIAL REVIEW

Operating Results

The entity's consolidated operating loss for the financial year after applicable income tax was $630,377 (2012: $523,000 loss). A significant component of this loss relates to the impairment of a receivable of $410,608.

Review of Operations

During the financial year to 30 June 2013, the Company continued efforts to restructure its balance sheet with a view to recapitalising the Company and seeking the reinstatement of the Company's shares on ASX.

During the period, Directors assessed the acquisition of a number of projects in Botswana and elsewhere.

In November 2011, the Company entered into a binding terms sheet with Shumba Resources Limited to acquire all the shares in Sechaba Natural Resources (Pty) Limited. Under the terms of the agreement Sayona loaned Shumba US$250,000. Sayona executed a Deed of Loan and Security for US$250,000 with Flamenco (Pty) Ltd to fund this project.

The Company subsequently announced that the binding terms sheet had been terminated. The loan was settled pursuant to a Tri-parte Deed of Novation with Flamenco (Pty) Ltd and Shumba Resources Limited, executed on 17 December 2012. Under the Deed the Company transferred all its rights in the Shumba loan to the Botswana Public Officers Pension Fund in satisfaction of the US$250,000 owed to Flamenco (Pty) Ltd.

During the period, the Company also entered into a Heads of Agreement with Azimuh Investments (Pty) Ltd to acquire a majority interest in Prospecting Licences PL 204/2012 and PL 205/2012 located in north central Botswana. Under the terms of the proposed joint venture, Sayona may earn a 51% interest in the Prospecting Licences by spending Pula 4 Million (A$500,000) on exploration over a 2 year period and can earn up to 75% over the next 2 years by investing a further Pula 12 Million (A$1.5 million). Negotiations on this project have not proceeded to the execution of a joint venture agreement and the Company is assessing the future of this project.

The Company entered into a Joint Venture Agreement with Superior Resources Limited on 3 April 2013 to acquire a majority interest in EPM 17012 located in North-West Queensland. Under the terms of the joint venture, Sayona may earn a 50% interest in EPM 17012 by spending A$500,000 on exploration over an initial 2 year period and can earn up to 75% over the next 2 years by incurring an additional A$1.5 million of exploration expenditure. The Company can only withdraw from the agreement in the first 2 year period after expending $50,000 on the tenement or paying Superior the expenditure shortfall under $50,000.

In December 2012, the Company entered into conditional agreements with parties to underwrite a $2,000,000 (1,000,000,000 shares) capital raising as part of the Company's Recovery Plan, with a further 25,000,000 shares as underwriter fees. This placement was completed with the first tranche of $319,000 in May 2013 and the second tranche in July 2013 of $1,681,000.

The company has lodged prospecting licence applications over prospective Diamond ground with the Geological Surveyor of Botswana.

During the year, Mantle Diamonds Plc placed the Lerala diamond mine in care and maintenance due to weaker diamond market. The group has significant credit risk exposure to Mantle, arising from the deferred receivable of $410,608 from Sayona's sale of the Lerala mine to Mantle. This relates to cash withheld from the sale proceeds of DiamonEx Botswana Limited ("DBL"), less an agreed warranty claim settlement. Following an assessment of the impact of this on the future recoverability of the asset, the amount was fully impaired.

At the Company's 2012 annual general meeting, shareholders approved a change of Company name to Sayona Mining Limited. The Australian Securities and Investment Commission recorded the change of name on 27 May 2013.

Subsequent to the end of the year, the ASX advised of the reinstatement to official quotation of Sayona Mining Limited (ASX:SYA) on 30 July 2013. This completed the Recovery Plan and the Company is assembling a portfolio of exploration assets to continue its previous exploration and development activities.

INFORMATION ON DIRECTORS

The names and qualifications of current Directors are summarised as follows

Peter van Riet Lowe	**Non Executive Chairman**
Qualifications	B Com (Hons) (Econ), B Compt (Hons) (Acc.Sci),ACMA, IMC, FCA (Botswana)
Experience	Appointed to the Board on 4 November 2009. Over 30 years experience in accounting and financial services. Founded the Fleming Group in 1992 which has approximately US$1.2 billion under management
Interest in Shares	Currently holds 127,700 ordinary shares
Directorships in Other Listed Companies	Chobe Holdings Limited (Botswana)
Former directorships in last 3 years	Nil

Wayne Osterberg	**Director (Non Executive)**
Qualifications	BA LLB MBA
Experience	Appointed to the Board on 4 November 2009. Practised law in Zimbabwe before entering stockbroking as an analyst in 1997. Thirteen years experience in the capital markets of Southern Africa and Australia. Currently Chief Operating Officer of Fleming Asset Management Botswana
Interest in Shares	Currently holds 60,000 ordinary shares
Directorships in Other Listed Companies	Nil
Former directorships in last 3 years	Nil
Dennis C O'Neill	**Director (Executive)**
Qualifications	Bachelor of Science - Geology
Experience	Board member since 2000. Over 30 years experience in exploration project and corporate management. He has held positions with a number of Australian and multinational exploration companies and has managed exploration programs in a diverse range of commodities and locations.
Interest in Shares	128,015,429 ordinary shares
Directorships in Other Listed Companies	Altura Mining Limited
Former directorships in last 3 years	Nil
Paul A Crawford	**Director (Executive)**
Qualifications	Bachelor of Business – Accountancy; CPA; Master of Financial Management; Graduate Diploma in Business Law; Graduate Diploma in Company Secretarial Practice.
Experience	Board member since 2000. 35 years of commercial experience, including various technical and management roles within the minerals, coal and petroleum industries. Principal of his own corporate consultancy firm, providing accounting, corporate governance, business advisory and commercial management services.
Interest in Shares	96,598,225 ordinary shares.
Directorships in Other Listed Companies	ActivEX Limited
Former directorships in last 3 years	Orocobre Limited
Allan C Buckler	**Director (Non Executive)**
Qualifications	Certificate in Mine Surveying and Mining, First Class Mine Managers Certificate and a Mine Surveyor Certificate issued by the Queensland Government's Department of Mines
Experience	Appointed to the Board on 4 August 2013. Over 35 years experience in the mining industry and has taken lead roles in the establishment of several

	leading mining and port operations in both Australia and Indonesia. Significant operations such as PT Adaro Indonesia, PT Indonesia Bulk Terminal and New Hope Coal Australia have been developed under his leadership.
Interest in Shares	348,650,000 ordinary shares
Directorships in Other Listed Companies	Altura Mining Limited, Interra Resources Limited
Former directorships in last 3 years	Nil
James S Brown	**Director (Non Executive)**
Qualifications	Graduate Diploma in Mining from University of Ballarat
Experience	Appointed to the Board on 12 August 2013. Over 25 years experience in the coal mining industry in Australia and Indonesia, including 22 years at New Hope Corporation. He was appointed as Managing Director of Altura in September 2010. His coal development and operations experience includes the New Acland and Jeebropilly mines in South East Queensland, the Adaro and Multi Harapan Utama operations in Indonesia and Blair Athol in the Bowen Basin in Central Queensland.
Interest in Shares	5,367,676 ordinary shares
Directorships in Other Listed Companies	Altura Mining Limited
Former directorships in last 3 years	Nil

REMUNERATION REPORT

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

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

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

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

The remuneration policy setting the terms and conditions for the executive Directors was developed by and approved by non-executive Directors. Historically, Executive Directors receive a base salary, superannuation and fringe benefits and in prior years equity based performance remuneration. Superannuation payments consist of the 9% superannuation guarantee contribution. Individuals may elect to salary sacrifice part of their salary to increase payments towards superannuation. No other form of retirement benefit is paid. The financial position of the Company has resulted in the limitation of executive appointments.

Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amounts of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting and are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. The maximum aggregate amount of fees that can be paid to non-executive Directors approved by shareholders is currently $100,000.

The Company's remuneration policy does not currently provide for long term incentives.

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

The payment of Non-executive Directors fees was suspended in December 2008. On the basis of the parent entity re-listing on the Australian Securities Exchange, fees have been accrued to Directors in relation to meetings held since the restructuring plan was approved by shareholders at the general meeting held in March 2011. The remuneration of each Director and specified executive officers of the consolidated entity during the year was as follows:

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

2012 Key Management Personnel	Short-term Benefits: Fees and/or Salary $	Short-term Benefits: Non-Cash Benefits $	Post Employment Benefits Superannuation $	Equity Settled Options $	Total $
P Van Riet Lowe (i)	-	-	-	-	-
W Osterberg (i)	-	-	-	-	-
L Siwana (i)	-	-	-	-	-
D O'Neil (i)	-	-	-	-	-
P Crawford (i)	-	-	-	-	-
J Allan (i)	-	-	-	-	-
M Gray (ii)	102,000	-	-	-	102,000
H Lennerts	-	-	-	-	-
S McIntosh	-	-	-	-	-
	102,000	-	-	-	102,000

(i) Non executive Director

(ii) Chief executive officer

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

Key Management Personnel	Position held & change during period	Contract Details	Proportion of Remuneration: Related to performance	Proportion of Remuneration: Not related to performance	Total
			Options	Salary & Fees	
P van Riet-Lowe	Non-executive Chairman	No fixed term, termination as provided by Corporations Act	-	100%	100%
W Osterberg	Non-executive Director	No fixed term, termination as provided by Corporations Act	-	100%	100%
D O'Neill	Executive Director from 1 July 2012	No fixed term, termination as provided by Corporations Act	-	100%	100%
P Crawford	Executive Director from 1 July 2012 Company Secretary from 22 August 2013	No fixed term, termination as provided by Corporations Act	-	100%	100%
L Siwana	Non-executive Director - resigned 26 April 2013	No fixed term, termination as provided by Corporations Act	-	100%	100%
J Allan	Non-executive Director	No fixed term, termination as provided by Corporations Act	-	100%	100%
M Gray	Non-executive Director	No fixed term, termination as provided by Corporations Act	-	100%	100%
S McIntosh	Company Secretary - resigned 22 August 2012	No fixed term, engaged by SG Corporate Pty Ltd	-	100%	100%

Options granted as remuneration

No options were granted as remuneration in the current year.

Employment Contract of Key Management Personnel

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

With completion of the capital raising, the Company will negotiate service agreements with Messrs O'Neill and Crawford in relation to future services. No agreements have been entered into at the date of this report.

DIVIDENDS

No dividends were declared or paid during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The economic entity's activities have focussed on completion of the Recovery Plan. Significant changes during the year include:

- In December 2012, the Company entered into conditional agreements with parties, including Messrs Crawford and O'Neill to underwrite a $2,000,000 (1,000,000,000 shares) capital raising as part of the Company's Recovery Plan, with a further 25,000,000 shares as underwriter fees.
- During the year, Mantle Diamonds Plc placed the Lerala diamond mine in care and maintenance due to weaker diamond market. The group has significant credit risk exposure to Mantle, arising from the deferred receivable of $410,608 from Sayona's sale of the Lerala mine to Mantle. This relates to cash withheld from the sale proceeds of DBL, less an agreed warranty claim settlement. Following an assessment of the impact of this on the future recoverability of the asset, the amount was fully impaired.
- On 5 April 2013, shareholders approved the placement of 1,000,000,000 new shares at an issue price of $0.002 per share. Pursuant to underwriting agreements 25,000,000 shares, as underwriter fees were also approved. Allotment of these shares took place progressively and was completed on 31 July 2013.
- Shareholders also approved a change in Company name to Sayona Mining Limited. The Australian Securities and Investment Commission recorded the change of name on 27 May 2013.

Further details are provided in the Operating and Financial Review above.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Key events since balance date have been:

- On 22 July 2013 Messrs James Allan and Mark Gray resigned as non-executive directors of the Company.
- On 23 July 2013 the Company issued 840,000,000 shares at $0.002 per share pursuant to the underwritten capital raising;
- On 30 July 2013 the Company's shares were reinstated to official quotation on ASX.
- On 31 July 2013 the Company issued 18,750,000 shares at $0.002 per share pursuant to the underwriting agreements.
- On 4 August 2013 Mr Allan Buckler was appointed a non-executive director of the Company.
- On 12 August 2013 Mr James Brown was appointed a non-executive director of the Company.

Other than as set out in this report and the attached financial statements no matters or circumstances have arisen since 30 June 2013, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

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

SHARE OPTIONS

At the date of this report there are no unissued ordinary shares of the Company under option.

No options have been issued or exercised during the financial year or since year end to the date of this report.

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

INDEMNIFICATION OF DIRECTORS AND AUDITORS

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

CORPORATE GOVERNANCE

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

AUDITOR INDEPENDENCE

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

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

There are no non-audit services provided by the auditors in the current financial year.

Signed in accordance with a resolution of the Directors.

Dennis O'Neill
Director

Signed: 2 September 2013
Brisbane, Queensland

Paul Crawford
Director

Hayes Knight
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
ABN 49 115 261 722
Registered Audit Company 299289
Level 19, 127 Creek Street, Brisbane Qld 4000
GPO Box 1189, Brisbane Qld 4001
T: +61 7 32292022 **F**: +61 7 32293277
E: email@hayesknightqld.com.au
www.hayesknight.com.au

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

To the Directors of Sayona Mining Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

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

Hayes Knight Audit (Qld) Pty. Ltd.

Hayes Knight Audit (Qld) Pty Ltd

Robertson.

A M Robertson
Director

Date: 2 September 2013

SAYOAN MINING LIMITED

ABN 26 091 951 978

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:

    (a) comply with Accounting Standards which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and

    (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance of the economic entity for the year ended on that date.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

    (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

    (c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dennis O'Neill
Director

Paul Crawford
Director

Dated this: 2nd day of September 2013

SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
for the year ended 30 June 2013

	Note	Economic Entity 2013 $	2012 $
Revenue and other income	2	74,073	-
Less expenses:			
Administrative expenses		(153,145)	(380,358)
Restructure costs		(32,185)	-
Employee benefit expense		(78,000)	(2,265)
Warranty claim on sale of available for sale investments		-	(122,147)
Exploration expenditure expensed during year		(6,990)	-
Finance costs	3	(23,522)	-
Foreign exchange losses		-	(18,230)
Impairment of receivable for deferred sale consideration	3	(410,608)	-
Loss before income tax	3	(630,377)	(523,000)
Income tax expense	4	-	-
Loss for the year		(630,377)	(523,000)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign controlled entities, net of tax	14(b)	(14,701)	(5,609)
Other Comprehensive income for the year net of tax		(14,701)	(5,609)
Total comprehensive loss attributable to members		(645,078)	(528,609)
Earnings per Share			
Basic earnings per share (cents per share)	6	(0.08)	(0.07)
Diluted earnings per share (cents per share)	6	(0.08)	(0.07)
Dividends per share (cents per share)		-	-

The accompanying notes form part of these financial statements.

SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Note	Economic Entity 2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	8	1,867,893	65,359
Trade and other receivables	9	10,294	633,363
Other assets	10	775	-
Total Current Assets		1,878,962	698,722
TOTAL ASSETS		1,878,962	698,722
CURRENT LIABILITIES			
Trade and other payables	12	2,142,644	476,745
Borrowings	13	194,998	354,579
Total Current Liabilities		2,337,642	831,324
TOTAL LIABILITIES		2,337,642	831,324
NET ASSETS		(458,680)	(132,602)
EQUITY			
Issued capital	14	48,358,511	48,039,511
Reserves	16	(4,288,794)	(4,274,093)
Accumulated losses		(44,528,397)	(43,898,020)
TOTAL EQUITY		(458,680)	(132,602)

The accompanying notes form part of these financial statements.

SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2013

	Note	Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
		$	$	$	$	$
Balance at 1 July 2010		47,539,511	(43,375,020)	(4,529,483)	260,999	(103,993)
Comprehensive Income						
Loss attributable to members of entity		-	(523,000)	-	-	(523,000)
Other comprehensive income for the year		-	-	-	-	(5,609)
Total comprehensive income for the year		-	(523,000)	(5,609)	-	(528,609)
Shares issued during the period	14	500,000	-	-	-	500,000
Share based payment - employee share options expense		-	-	-	-	-
Balance at 30 June 2012		48,039,511	(43,898,020)	(4,535,092)	260,999	(132,602)
Comprehensive Income						
Loss attributable to members of entity	-	-	-	-	-	(630,377)
Other comprehensive income for the year		-	-	-	(14,701)	-
Total comprehensive income for the year		-	(630,377)	(14,701)	-	(645,078)
Shares issued during the period	14	331,500	-	-	-	331,500
Transaction costs		(12,500)				(12,500)
Balance at 30 June 2013		48,358,511	(44,528,397)	(4,549,793)	260,999	(458,680)

The accompanying notes form part of these financial statements.

SAYONA MINING LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

STATEMENT OF CASH FLOWS
for the year ended 30 June 2013

	Note	Economic Entity 2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(275,243)	(544,155)
Interest received		2	-
Finance costs		-	-
Net cash provided by (used in) operating activities	17	(275,241)	(544,155)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to external parties		-	(244,293)
Proceeds from sale of available for sale investments		-	-
Advances to group entities		-	-
Net cash provided by (used in) investing activities		-	(244,293)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		78,500	356,405
Proceeds from issue of shares	12	319,000	-
Proceeds from share applications received, pending allotment		1,681,000	-
Net cash provided by (used in) financing activities		2,078,500	356,405
Net increase (decrease) in cash held		1,803,259	(432,043)
Cash at beginning of financial year		65,359	505,985
Effect of exchange rates on cash holdings in foreign currencies		(725)	(8,583)
Cash at end of financial year	8	1,867,893)	65,359

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, Australian Accounting Interpretations and other authoritive pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of Sayona Mining Limited (formerly DiamonEx Limited) and controlled entities ("group"). Sayona Mining Limited is a listed public company, incorporated and domiciled in Australia. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical cost modified, where applicable, by measurement at fair value of selected non-current assets, financial assets and liabilities.

Separate financial statements for Sayona Mining Limited as an individual entity are not presented following a change to the Australian Corporations Act 2001. However, financial information required for Sayona Mining Limited as an individual entity in included in Note 24.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

Going Concern Basis

The financial statements have been prepared on the basis that the parent and consolidated entity is a going concern.

At 30 June 2013, the economic entity has a deficiency of net assets of $458,680 (30 June 2012: $132,602). As reported previously the economic entity encountered significant financial difficulties as a result of the impact of the global financial crisis in late 2008. Since then the Company has been working with financiers, other creditors and stakeholders on a recovery plan and re-structuring. At balance date the economic entity and the parent entity have incurred significant losses and have negative net equity.

The current liabilities as at 30 June 2013 include an amount of $1,681,000 being share application funds. The Company was able to access these funds on issue of the shares and re-admission of the Company's shares on the Australian Securities Exchange on 30 July 2013.

On the basis of these matters and the status of the recovery plan and restructuring, the directors have prepared the financial statements on a going concern basis. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary if the economic entity and parent entity could not continue as a going concern.

Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Sayona Mining Limited at the end of the reporting period. A controlled entity is any entity over which Sayona Mining Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Income Tax

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

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

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Leases

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

Impairment of Assets

At each reporting date, the economic entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss.

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

Financial Instruments

Recognition and Initial Measurement

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

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

The economic entity does not designate any interests in subsidiaries as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Derecognition

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

Classification and Subsequent Measurement

i. Loans and receivables

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Available-for-sale financial assets

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

iii. Financial Liabilities

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

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

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

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

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

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

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

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Foreign Currency Transactions and Balances

Functional and presentation currency:

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

Transaction and balances:

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

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

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

Group companies:

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in profit or loss in the period in which the operation is disposed of.

Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

Equity Settled Compensation

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Cash and Cash Equivalents

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

Issued Capital

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

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

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

Revenue

Interest revenue is recognised using the effective interest method.

Borrowing Costs

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Tax Office or the Botswana Unified Tax Office. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST/VAT.

Cash flows are presented in the statement of cashflows on a gross basis except for the GST component of investing activities which are disclosed as operating cash flow.

Comparative Figures and Financial Period

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per Share (EPS)

Basic earnings per share

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

Diluted earnings per share

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

Critical Accounting Estimates and Judgements

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

Key estimates/judgments taken in preparation of the financial statements relate to the carrying value of receivables. As outlined in note 9, the deferred sale consideration receivable is recoverable in foreign currency and is subject to a warranty claim. Directors assessed the recoverability of this receivable and elected to fully impair this receivable.

New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group’s assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of this change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed). This is not expected to have any impact on the company.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group's financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and

AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012–2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the Group's financial statements.

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

This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements to IFRSs 2009–2011 Cycle by the International Accounting Standards Board, including:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;

AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;

AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;

AASB 132 and Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and

AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.
This Standard is not expected to significantly impact the Group's financial statements.

NOTE 2: REVENUE AND OTHER INCOME

	2013	2012
Other income:	**$**	**$**
Interest received from other persons	7,604	-
Gain on settlement of Deed of Novation	15,920	-
Foreign exchange gains	50,549	-
Total revenue and other income	74,073	-

The gain on loan settlement relates to the settlement of a loans with Flamenco (Pty) Ltd and Shumba Resources Limited.

NOTE 3: PROFIT/(LOSS) FOR THE YEAR

	2013	2012
Included in expenses are the following significant items:	**$**	**$**
Foreign currency translation losses/(gains)	-	18,230
Warranty claim on sale of available for sale investments	-	122,147
Impairment of receivable for deferred sale consideration (a)	410,608	-
Finance costs:		
- interest paid and payable to external parties	23,522	-

(a) The impairment of the receivable for deferred sale consideration represents the balance of US$500,000 receivable from the sale of DiamonEx Botswana Limited after a warranty claim of US$125,000 for economic damages and a foreign exchange gain of A$44,169 as at 30 June 2013. The Directors have reservations about the future recoverability of this receivable from Mantle Diamonds Plc due to the placement of the Lerala diamond mine into care and maintenance following weakened diamond markets (refer note 9). The decision to impair the receivable was effective as at 30 June 2013

NOTE 4: INCOME TAX EXPENSE

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

	2013 $	2012 $
Prima facie tax payable/(benefit) on loss from ordinary activities before income tax at 30% (2012: 30%).	(189,113)	(156,900)
Adjust for tax effect of:		
Tax losses and temporary differences not brought to account	177,168	156,895
Non-allowable items	12,044	-
Effects of different tax rates on foreign tax losses / (gains)	(99)	5
Income tax expense/(benefit) attributable to entity	-	-

Following the disposal in the prior year of DiamonEx Botswana Limited, the economic entity has realised significant tax losses on both revenue and capital accounts. These losses, together with losses in prior years, are unconfirmed and have not been brought to account because recovery is not yet considered probable.

The weighted average tax rate is nil, due to losses.

The tax benefits will only be obtained if the conditions in note 1 are satisfied and if:

(a) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(b) the economic entity continues to comply with the conditions for deductibility imposed by the relevant tax legislation; and

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for losses.

The amount of such benefits has not been disclosed due to the complexities of their calculation under relevant Australian legislation. Also the economic entity has USA carry forward losses which are quarantined under Australian tax legislation and are only available to be offset against future taxable income derived in USA.

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

	2013		
	Before Tax $	Tax expense $	Net of Tax $
Exchange differences on translating foreign controlled entities	14,701	-	14,701

	2012		
	Before Tax $	Tax expense $	Net of Tax $
Exchange differences on translating foreign controlled entities	5,609	-	5,609

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY

(a) The names of key management personnel of the parent and economic entity who held office during the financial year are:

Key Management Person	**Position**
Peter van Riet-Lowe	Chairman - Non-Executive
Dennis C. O'Neill	Director - Non-Executive
Paul A. Crawford	Director - Non-Executive
Wayne Osterberg	Director - Non-Executive
Leonard Siwawa	Director - Non-Executive (resigned 29 April 2013)
James Allan	Director - Non-Executive
Mark Gray	Director - Executive

(b) Key management personnel compensation

	2013 $	2012 $
Short-term employee benefits	75,522	102,000
Post-employment benefits	2,478	-
Other long-term benefits	-	-
Share-based payments	-	-
	78,000	102,000

Detailed disclosures on compensation for key management personnel are set out in the Remuneration Report included in the Directors' Report. See also note 18 for related party transactions.

(c) Number of shares held by Key Management Personnel

Key Management Personnel (i)	Balance 1 July 2012	Remun-eration (ii)	Purchased / Issued/(Sold)	Balance 30 June 2013
Dennis C O'Neill	9,890,429	-	118,125,000	128,015,429
Paul A Crawford	36,473,225	-	60,125,000	96,598,225
Peter van Riet-Lowe	127,700	-	-	127,700
Wayne Osterberg	60,000	-	-	60,000
Leonard Siwawa	-	-	-	-
James Allan	-	-	-	-
Mark Gray	-	-	-	-
Total	46,551,354	-	-	46,551,354

Key Management Personnel (i)	Balance 1 July 2011	Remun-eration (ii)	Purchased / (Sold)	Balance 30 June 2012
Dennis C O'Neill	9,890,429	-	-	9,890,429
Paul A Crawford	36,473,225	-	-	36,473,225
Peter van Riet-Lowe	127,700	-	-	127,700
Wayne Osterberg	60,000	-	-	60,000
Leonard Siwawa (at date of appointment)	-	-	-	-
James Allan (at date of appointment)	-	-	-	-
Mark Gray (at date of appointment)	-	-	-	-
Total	46,551,354	-	-	46,551,354

(i) Represents shares held directly, indirectly or beneficially.

(ii) The parent entity does not currently issue shares as remuneration.

(iii) Issued shares include 3,125,000 shares issued as settlement of underwriting fees.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY (continued)

(d) Number of options held by Key Management Personnel

No options are held by key management personnel at 30 June 2013 (2012: nil), nor have any been granted to the date of this report.

NOTE 6: EARNINGS PER SHARE

The earnings figures used in the calculation of both the basic EPS and the dilutive EPS are the same.	**2013 No.**	**2012 No.**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	745,039,280	700,053,529
Weighted average number of dilutive securities outstanding.	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted EPS	745,039,280	700,053,529

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

NOTE 7: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:	**2013 $**	**2012 $**
- auditing or reviewing the financial report	37,000	28,000
- other assurance services	-	-

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	36,925	65,359
Share applications funds held, pending allotment	1,831,968	
	1,867,893	65,359

The effective interest rate was nil.

NOTE 9: TRADE AND OTHER RECEIVABLES

Current (unsecured):		
Deferred sale consideration (a)	410,608	366,439
Less: Provision for impairment	(410,608)	-
	-	366,439
Loan to Shumba Resources Limited (b)	-	244,293
Other Debtors	10,294	22,631
	10,294	633,363

(a) The group previously had significant credit risk exposure arising from the deferred receivable of $366,439 from Mantle Diamonds Plc. This relates to cash withheld from the sale proceeds of DBL, less an agreed warranty claim settlement. During the year, Mantle placed the Lerala diamond mine in care and maintenance due to weaker diamond market. Following an assessment of the impact of this on the future recoverability of the asset, the amount was fully impaired.

NOTE 9: TRADE AND OTHER RECEIVABLES (continued)

(b) In November 2011, the Company entered into a binding terms sheet with Shumba Resources Limited to acquire all the shares in Sechaba Natural Resources (Pty) Limited. Under the terms of the agreement Sayona loaned Shumba US$250,000. In June 2012, the Company announced that the binding terms sheet had been terminated. The loan was settled pursuant to a Tri-parte Deed of Novation executed on 17 December 2012.

Under the Deed of Novation with Flamenco (Pty) Ltd and Shumba Resources Limited the Company transferred all its rights in the Shumba loan to the Botswana Public Officers Pension Fund in satisfaction of the US$250,000 owed to Flamenco.

There are no other balances within current receivables that are past due. It is expected that these balances will be received when due.

NOTE 10: OTHER ASSETS

	2013	2012
Current:	**$**	**$**
Prepayments	775	-

NOTE 11: FINANCIAL ASSETS

Non-current:

Available for sale investments

Shares in Unlisted Group Entities:		
Lake Exploration Pty Ltd, incorporated in Australia. The parent entity holds 100% (2010: 100%) of the ordinary shares of the entity, carried at recoverable amount	-	-
DiamonEx (USA) Limited, incorporated in Wyoming, USA. The parent entity holds 10% (2010: 100%) of the ordinary shares of the entity, carried at recoverable amount	-	-
Total available for sale investments	-	-

NOTE 12: TRADE AND OTHER PAYABLES

Current:		
Trade creditors	283,465	335,123
Sundry creditors and accrued expenses	178,179	141,622
Share applications funds held pending allotment (a)	1,681,000	-
Total trade & other payables (unsecured)	2,142,644	476,745

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

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

Trade and other payables	(i)	283,465	335,123
Sundry creditors and accrued expenses		178,179	141,622
Financial liabilities as trade and other payables	20	461,644	476,745

(i) Included in Trade and other payables is an amount of $1,681,000 which is representative of share application funds being unavailable to the group till such time as the shares in the company have been issued. As detailed in Note 23 the shares were issued on the 23rd July 2013 at which time the liability was extinguished and the cash became available to the company.

NOTE 13: BORROWINGS

Current:	**2013** $	**2012** $
Unsecured loan Flamenco (Pty) Ltd - Shumba loan (a)	-	244,293
Unsecured loan Flamenco (Pty) Ltd - expense funding	28,901	32,112
Secured loan Flamenco (Pty) Ltd - working capital (b)	87,597	78,174
Unsecured loan from Directors	53,500	-
Unsecured loan from shareholder	25,000	-
	194,998	354,579

Flamenco (Pty) Ltd loan security

A Deed of Loan and Security between Sayona Mining Limited and Flamenco (Pty) Ltd provided the following security against specific loans from Flamenco:

(a) The Shumba loan of US$250,000 was secured against all shares held by Sayona in Sechaba Natural Resources Limited. Sayona did not proceed with acquiring these shares. Under the Deed of Novation with Flamenco (Pty) Ltd and Shumba Resources Limited the Company in December 2012 transferred all its rights in the Shumba loan to the Botswana Public Officers Pension Fund in satisfaction of the US$250,000 owed to Flamenco.

(b) The working capital loan of US$80,000 is secured against all monies owing to Sayona from Mantle Diamonds Plc.

NOTE 14: ISSUED CAPITAL

	2013 $	**2012** $
884,450,924 (2012: 718,700,924) fully paid ordinary shares	48,358,511	48,039,511

Ordinary shares

Balance at the beginning of the reporting period	48,039,511	47,539,511
Shares issued during the year:		8,505,532
3 May 2013- 165,750,000 ordinary shares at $0.002 each (a)	331,500	500,000
Transaction costs relating to share issues	(12,500)	-
Balance at reporting date	48,358,511	48,039,511

Balance at the beginning of the reporting period	718,700,924	693,700,924
Shares issued during the year:	-	-
3 May 2013	165,750,000	25,000,000
Balance at reporting date	884,450,924	718,700,924

(a) Issued to 2 Directors, pursuant to a resolution passed at the 2012 Annual General Meeting.

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

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

Capital management policy

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

NOTE 14: ISSUED CAPITAL (continued)

During the year, the capital management activities of the Group have focussed on continuing the Recovery Plan and developing a capital management structure to complete the Company reconstruction. Refer to note 23 for subsequent events regarding the issue of further shares and relisting on the ASX.

NOTE 15: SHARE OPTIONS

	2013 No.	2012 No.
Options outstanding at reporting date		
Balance at the beginning of the reporting period	-	1,000,000
Issued during the year	-	-
Lapsed during the year	-	(1,000,000)
Balance at reporting date	-	-

NOTE 16: RESERVES

Foreign currency translation reserve:

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

Options reserve:

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

NOTE 17: CASH FLOW INFORMATION

	2013 $	2012 $
Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax:		
Loss from ordinary activities after income tax	(630,377)	(523,000)
Non-cash flows in profit from ordinary activities:		
Warranty claim on sale of available for sale investments	-	122,147
Impairment of receivables writeback	410,608	
Unrealised foreign exchange (gain)/loss	(50,549)	18,230
Gain on settlement of Deed of Novation	(15,920)	-
Interest receivable from party to Deed of Novation foregone on settlement	(7,602)	-
Interest payable to party to Deed of Novation foregone on settlement	23,522	-
Unrealised foreign exchange (gain)/loss	-	-
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	12,337	7,797
(Increase)/Decrease in prepayments and inventory	(775)	10,097
(Decrease)/Increase in creditors and accruals	(16,485)	(179,426)
Cash flows from operations	(275,241)	(544,155)

Non-cash Financing and Investing Activities

During the year, 6,250,000 shares were issued in settlement of underwriting fees in relation to a share placement approved by shareholders at the Company's 2013 annual general meeting..

NOTE 18: RELATED PARTY TRANSACTIONS

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

Controlled Entities

The parent entity's shareholding in the controlled entities is detailed in note 11.

Finance provided to the controlled entities is detailed in note 9.

Key management personnel transactions with the economic entity

Key management personnel compensation and equity interests are detailed in Note 5.

During the year, the parent entity engaged Cambridge Business & Corporate Services, an entity controlled by Mr Paul Crawford, a director of the company to provide accounting, company secretarial, financial management and other services. No fees were incurred during the current year (2012: nil). No amount was owed by the company to Cambridge Business & Corporate Services at 30 June (2012: nil).

During the previous year, the parent entity incurred professional fees of $102,000 for management services provided to the entity by Gray Corp Pty Ltd, an entity controlled by Mr Mark Gray, a director of the company. The amount owing by the company to Gray Corp Pty Ltd at 30 June 2013 was $54,448 (2012: $63,450).

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

	D C O'Neill $	P A Crawford $	A C Buckler $
Loan funds	35,000	62,500	25,000
Converted to equity on share application	(30,000)	(14,000)	(25,000)
Balance 30 June 2013	5,000	48,500	-

During the year Mr Crawford paid expenses on behalf of the Company of $184. The balance outstanding at the end of the financial year was $9,205 (2012: $9,021).

During the prior year, Flamenco (Pty) Ltd, a company of which Messrs van Riet-Lowe, Allan and Gray are directors, provided a secured loan of US$250,000 to finance a loan to Shumba Resources Limited, a US$80,000 secured loan for working capital and A$32,112 as an unsecured loan to finance travel costs. During the current year, the Company entered into a Deed of Novation with Flamenco (Pty) Ltd and Shumba Resources Limited under which the Company transferred all its rights in the Shumba loan to the Botswana Public Officers Pension Fund in satisfaction of the US$250,000 owed to Flamenco. At the end of the financial year, $116,498 (2012: $354,579) was owing to Flamenco (note 13).

During the year, the Company fully impaired the deferred consideration receivable ($410,608) from Mantle Diamonds Plc from the sale of DiamonEx Botswana Limited. Mr Peter van Riet-Lowe, a director of the Company is also a director of Mantle.

During the year, a total of 6,250,000 shares were issued equally to associated entities of Directors Mr Paul Crawford and Dan O'Neill in settlement of underwriting fees in relation to a share placement approved by shareholders at the Company's 2012 annual general meeting. Refer Note 17.

NOTE 19: COMMITMENTS

The consolidated entity has no commitments at balance date.

NOTE 20: FINANCIAL INSTRUMENTS

Financial Risk Management

Risk management is carried out by the senior executive team. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as liquidity risk, foreign exchange risk, interest rate risk, credit risk, use of financial instruments and non-derivative financial instruments.

The overall risk strategy seeks to assist the economic entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance. In the current circumstances the focus is on the financial recovery of the economic entity.

The economic entity's financial instruments comprise mainly bank balances, amounts receivable and payable, intercompany investments and loans, bank facilities and convertible capital notes. The main purpose of these financial instruments is to provide finance for the entity's operations. Many of these items were restructured in the year.

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

The Directors believe that it is in the interests of shareholders to expose the Group to foreign currency risk and interest rate risk. Therefore the Group does not employ any derivative hedging of these risks. The Directors and management monitor these risks, in particular market forecasts of future movements in foreign exchange movements and if it is believed to be in the interests of shareholders will implement risk management strategies to minimise potential adverse effects on the financial performance of the Group.

Financial instruments at carrying value are summarised as:

	2013 $	2012 $
Financial Assets		
Cash and cash equivalents	1,867,893	65,359
Trade and other receivables (net of impairment)	10,294	633,363
	1,878,187	698,722
Financial liabilities		
Trade and other payables	461,644	476,745
Borrowings	194,998	354,579
	656,642	831,324

(i) Included in Note 12 Trade and Other Payables is an amount of $1,681,000, refer Note 12, which is representative of share application funds being unavailable to the group until such time as the shares in the company have been issued. As detailed in Note 23 the shares were issued on the 23rd July 2013 at which time the liability was extinguished and the cash became available to the company.

(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from currency movements, primarily in respect of the US Dollar and the Botswana Pula. No derivative financial instruments are employed to mitigate the exposed risks. This is the Group's current policy and it is reviewed regularly including forecast movements in these currencies by management and the Board.

These foreign exchange risks arise from

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

NOTE 20: FINANCIAL INSTRUMENTS (continued)

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

	US$		BWP	
	2013	**2012**	**2013**	**2012**
Cash and cash equivalents	1,110	1,240	-	-
Receivables	-	625,000	-	-
Payables	(126,156)	(128,333)	(633,831)	-
Borrowings	(80,000)	(330,000)	(253,343)	(880,849)
Net	(205,046)	167,907	(887,174)	(880,849)

Group sensitivity

If the spot Australian Dollar rate weakened / strengthened by 5 percent against the US Dollar, with all other variables held constant, the Group's post-tax loss for the year would have been $11,226 higher / lower (2012: $8,204).

If the spot Australian Dollar rate weakened / strengthened by 5 percent against the Botswana Pula, with all other variables held constant, the Group's post-tax loss for the year would have been $5,190 lower/higher (2012: $5,726).

(ii) Interest risk

The group is exposed to interest rate risks primarily from bank balances and borrowings. This risk is managed through the use of fixed and variable rate instruments.

The Directors and management do not believe it is appropriate at this time to use derivative financial instruments to hedge interest rates based on current conditions.

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Group - 2013	Floating Interest Rate 2013 $	Fixed Interest Rate 2013 $	Non-Interest Bearing 2013 $	Total 2013 $
Financial Assets:				
Cash & cash equivalents	1,867,538	-	355	1,867,893
Receivables	-	-	10,294	10,294
Provision for impairment	-	-	-	-
Total Financial Assets	1,867,538	-	10,649	1,878,187
Financial Liabilities:				
Trade & other payables	-	-	461,644	461,644
Borrowings	87,597	-	107,401	194,998
Total Financial Liabilities	87,597	-	569,045	656,642

NOTE 20: FINANCIAL INSTRUMENTS (continued)

Group - 2012	**2012** **$**	**2012** **$**	**2012** **$**	**2012** **$**
Financial Assets:				
Cash & cash equivalents	65,004	-	355	65,359
Receivables	-	-	633,363	633,363
Provision for impairment	-	-	-	-
Total Financial Assets	65,004	-	633,718	698,722
Financial Liabilities:				
Trade & other payables	-	-	476,745	476,745
Borrowings	322,467	-	32,112	354,579
Total Financial Liabilities	322,467	-	508,857	831,324

Cash and cash equivalents received interest at a weighted average rate of 0% (2012: 1.0%)

Interest on borrowings carried a weighted average interest rate of 10.0% (2012: 10.0%)

All other receivables and payables were non-interest bearing.

Group sensitivity

As at 30 June 2013, if interest rates on variable rate financial instruments had been 1% higher / lower with all other variables held constant the post tax loss for the year would have been $17,799 higher / lower (2012: $3,224).

(b) Credit risk

Credit risk arises from cash and cash equivalents, bank deposits, and amounts receivable. At this stage there is no credit exposure to trade customers. The carrying amounts of these financial assets, as recorded in the financial statements, represent the economic entity's and the parent entity's maximum exposure to credit risk.

Concentration of credit risk is outlined in note 9.

(c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its obligations as they fall due. The risk is managed by ensuring, to the extent possible, that there is sufficient liquidity to meet liabilities when due, without incurring unacceptable losses or risking damage to the group's reputation. In the current financial circumstances liquidity risk is being managed with the assistance of the group's financiers.

The Group's liquidity requirements are monitored through cash flow forecasts which are based upon forward production, operations, development, exploration and capital projections. Liquidity management, including debt / equity management, is carried out under policies approved by the Board. The following table analyses financial assets and liabilities into relevant maturity groupings based on remaining period (excluding any Recovery Plan effect) at the reporting date. The amounts disclosed are the contractual undiscounted cash flows.

NOTE 20: FINANCIAL INSTRUMENTS (continued)

Group entity	1 year or less	1 to 2 years	More than 2 years	Total
	$	$	$	$
2013				
Financial assets				
Cash & cash equivalents	1,867,893	-	-	1,867,893
Receivables	10,294	-	-	10,294
	1,878,187	-	-	1,878,187
Financial liabilities				
Payables (i)	461,644	-	-	461,644
Borrowings	194,998	-	-	194,998
	656,642	-	-	656,642
		-	-	
Net cash outflow	1,221,545	-	-	1,221,545

(i) Included in Note 12 Trade and Other Payables is an amount of $1,681,000, refer Note 12, which is representative of share application funds being unavailable to the group till such time as the shares in the company have been issued. As detailed in Note 23 the shares were issued on the 23rd July 2013 at which time the liability was extinguished and the cash became available to the company. The liability has not been recorded in the table above as it is not reflective of a cash outflow.

Group entity	1 year or less	1 to 2 years	More than 2 years	Total
2012	$	$	$	$
Financial assets				
Cash & cash equivalents	65,359	-	-	65,359
Receivables	633,363	-	-	633,363
	698,722	-	-	698,722
Financial liabilities				
Payables	476,745	-	-	476,745
Borrowings	354,579	-	-	354,579
	831,324	-	-	831,324
		-	-	
Net cash outflow	132,602	-	-	132,602

(d) Fair values

The net fair value of financial assets and financial liabilities of the Group approximate their carrying amounts.

The net fair value of cash or other monetary financial assets and financial liabilities is based upon market prices where a market exists, or through discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the financial statements. Fair values are materially in line with carrying values.

No financial assets or liabilities are readily traded on organised markets in a standardised form.

NOTE 20: FINANCIAL INSTRUMENTS (continued)

Financial instruments recognised at fair value have been analysed and classified using a fair value hierarchy reflecting the significance of inputs used in making the measurements. The fair value hierarchy is:

Level 1 - quoted prices in active markets.

Level 2 - inputs that are observable either directly or indirectly.

Level 3 - inputs that are not based on observable market data.

No financial assets are recognised at fair value at balance date. The only financial assets recognised at fair value for the previous year are the amounts receivable from and investment in DiamonEx (Botswana) Limited. This was assessed as a level 2 hierarchy.

NOTE 21: CONTINGENT LIABILITIES

In December 2012, the Company entered into conditional agreements with parties, including Messrs Crawford and O'Neill to underwriting a $2,000,000 (1,000,000,000 shares) capital raising as part of the Company's Recovery Plan, with a further 25,000,000 shares as underwriter fees.

At balance date 159,500,000 of the placement shares and 6,250,000 underwriting shares have been issued. Funds have been received for the remaining 840,500,000 shares under the capital raising. When these shares are allotted, a further 18,750,000 shares will be issued in settlement of underwriter fees.

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

NOTE 22: SHARE BASED PAYMENTS

On 3 May 2013, the Company issued 6,250,000 shares to parties in settlement of underwriting fees associated with a placement of shares. The issue of shares was approved by shareholders in General Meeting on 5 April 2013.

During the previous financial year, 25,000,000 shares were issued to bondholders in settlement of the proposed repayment of the cash component of the Mantle withholding of DBL sale proceeds.

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

Consolidated Group	**2013**		**2012**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at the beginning of the year	-	$0.000	1,000,000	$0.350
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(1,000,000)	-
Outstanding at year-end	-	-	-	$0.000
Exercisable at year-end	-	-	-	$0.000

Included under employee benefits expense in the income statement in the prior year is $15,199 relating to equity-settled share-based payment transactions to directors. No expense was incurred in the current year.

NOTE 23: EVENTS AFTER BALANCE SHEET DATE

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

(i) On 22 July 2013 Messrs James Allan and Mark Gray resigned as non-executive directors of the Company.

NOTE 23: EVENTS AFTER BALANCE SHEET DATE (continued)

(ii) On 23 July 2013 the Company issued 840,000,000 shares at $0.002 per share pursuant to the underwritten capital raising.

(iii) On 30 July 2013 the Company shares were reinstated to official quotation on the Australian Securities Exchange.

(iv) On 31 July 2013 the Company issued 18,750,000 shares at $0.002 per share pursuant to the underwriting agreements.

(v) On 5 August 2013 Mr Allan Buckler was appointed a non-executive director of the Company.

(vi) On 12 August 2013 Mr James Brown was appointed a non-executive director of the Company.

This financial report was authorised for issue on 2 September 2013 by the Board of Directors.

NOTE 24: PARENT ENTITY INFORMATION

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

	30 June 2013	30 June 2012
STATEMENT OF FINANCIAL POSITION	**$**	**$**
Current assets	1,877,743	697,507
Non-current assets	563	563
Total assets	1,878,306	698,070
Current liabilities	2,199,507	705,920
Non-current liabilities	-	-
Total liabilities	2,199,507	705,920
Contributed equity	48,358,511	48,039,511
Reserves	260,999	260,999
Accumulated losses	(48,940,711)	(48,308,360)
Total equity	(321,201)	(7,850)
STATEMENT OF PROFIT AND LOSS & OTHER COMPREHENSIVE INCOME		
Loss for the year	(632,351)	(522,906)
Other comprehensive income	-	-
Total comprehensive loss for the year	(632,351)	(522,906)

NOTE 25: JOINT VENTURE ARRANGEMENTS

The Group entered into a Heads of Agreement with Azimuh Investments (Pty) Ltd on 23 September 2012 to acquire a majority interest in Prospecting Licences PL 204/2012 and PL 205/2012 located in north central Botswana. Under the terms of the proposed joint venture, Sayona may earn a 51% interest in the Prospecting Licences by spending Pula 4 Million (A$500,000) on exploration over a 2 year period and can earn up to 75% over the next 2 years by investing a further Pula 12 Million (A$1.5 million).

The Group has entered into a Joint Venture Agreement with Superior Resources Limited on 3 April 2013 to acquire a majority interest in EPM 17012 located in North-West Queensland. Under the terms of the joint venture, Sayona may earn a 50% interest in EPM 17012 by spending A$500,000 on exploration over an initial 2 year period and can earn up to 75% over the next 2 years by incurring an additional A$1.5 million of exploration expenditure. The Company can only withdraw from the agreement in the first 2 year period after expending $50,000 on the tenement or paying Superior the expenditure shortfall under $50,000.

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

NOTE 26: SEGMENT REPORTING

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

Primary Reporting: Geographical Segments

	Australia		USA		Economic Entity	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	$	**$**			**$**	**$**
REVENUE						
Revenue	74,073	-	-	-	74,073	-
Total revenue from ordinary activities	74,073	-	-	-	74,073	-
RESULT						
Loss from ordinary activities before income tax expense	(632,351)	(522,906)	1,974	(94)	(630,377)	(523,000)
Income tax expense	-	-	-	-	-	-
Loss from ordinary activities after income tax expense	(632,351)	(522,906)	1,974	(94)	(630,377)	(523,000)
ASSETS						
Segment assets	1,877,746	697,510	1,216	1,212	1,878,962	698,722
LIABILITIES						
Segment liabilities	2,199,507	705,920	138,135	125,404	2,337,642	831,324

There were no transfers between segments reflected in the revenues, expenses or result above. The pricing of any intersegment transactions is based on market values.

Segment accounting policies are consistent with the economic entity.

NOTE 27: COMPANY DETAILS

The registered office and principal place of business is:

Sayona Mining Limited
Level 1
349 Coronation Drive
Milton Qld 4064
Australia

Hayes Knight
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
ABN 49 115 261 722
Registered Audit Company 299289

Level 19, 127 Creek Street, Brisbane Qld 4000
GPO Box 1189, Brisbane Qld 4001

T: +61 7 32292022 **F**: +61 7 32293277
E: email@hayesknightqld.com.au

www.hayesknight.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAYONA MINING LIMITED

Report on the Financial Report

We have audited the accompanying financial statements of Sayona Mining Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

Opinion

In our opinion:

a. the financial report of Sayona Mining Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Sayona Mining Limited for the year ended 30 June 2013 complies with s 300A of the *Corporations Act 2001*.

Hayes Knight Audit (Qld) Pty. Ltd.

Hayes Knight Audit (Qld) Pty Ltd

Robertson.

AM Robertson
Director

Level 19, 127 Creek Street,
Brisbane, QLD, 4000

Date: 2 September 2013

SAYONA MINING LIMITED

ABN 26 091 951 978

ASX INFORMATION

Following is additional information required by the ASX Limited and not disclosed elsewhere in this report. The following information is provided as at 30 August 2013.

1. Shareholding:

Distribution of Shareholders Number:

Category Number (Size of Holding)	Ordinary Shares (Number)
1 - 1,000	1,582
1,001 - 5,000	938
5,001 - 10,000	318
10,001 - 100,000	826
100,001 - and over	253
	3,917

The number of shareholdings held in less than marketable parcels is 3,618.

Twenty Largest Holders - Ordinary Shares

		Number of Shares Held	% of Total Issued Capital
1.	P. Point Pty Ltd <Allan Buckler S/F A/C>	338,650,000	19.42
2.	Maxwell Terry Smith	338,650,000	19.42
3.	EM Enterprises (Qld) Pty Ltd <Sherwood Super Fund A/C>	118,551,250	6.80
4.	Stanbic Nominees Botswana (Pty) Ltd <Sims - NPF 212/001 A/C>	102,855,623	5.90
5.	Chua Seok Yin + Chua Xin Bei	76,875,000	4.41
6.	SCB Nominees Botswana (Pty) Ltd <FAM-BPOPF No1 201/010 A/C>	67,816,141	3.89
7.	FNB Nominees Botswana (Pty) Ltd <SIMS - BPOPF 10001009 A/C>	50,025,428	2.87
8.	SCB Nominees Botswana (Pty)Ltd <FAM - BPOPF Private Equity A/C>	50,000,000	2.87
9.	Paul Anthony Crawford + Robyn Lynelle Crawford <Kuratyn Super Fund A/C>	46,125,000	2.65
10.	SCB Nominees Botswana (Pty) Ltd <FAM- BPOPF No2 3185938 A/C>	34,628,060	1.99
11.	Gregory Mark King	33,974,251	1.95
12.	Stanbic Nominees Botswana (Pty) Ltd <BFIM-LB Local Bond A/C>	32,296,666	1.85
13.	Sirod Pty Ltd	30,913,745	1.77
14.	SCB Nominees Botswana (Pty) Ltd <FAM- BPOPF No1 3582376 A/C>	29,210,997	1.68
15.	John Michael Moore <Mike Moore Super Fund A/C>	25,000,000	1.43
16.	FNB Nominees Botswana (Pty) Ltd <SIMS - BPOPF 212/005 A/C>	23,231,657	1.33
17.	Hartco Nominees Pty Ltd	20,000,000	1.15
18.	SCB Nominees Botswana (Pty) Ltd <Sims - STBMPF 207/002 A/C>	14,399,787	0.83
19.	J P Morgan Nominees Australia Limited	13,759,500	0.79
20.	Christopher Paul Dredge	12,500,000	0.72
		1,459,463,105	**83.72**

ASX INFORMATION

The names of the substantial shareholders listed in the Company's register as at 30 August 2013:

Shareholder	Number of Shares Held	% of Issued Capital
P. Point Pty Ltd <Allan Buckler S/F A/C>	338,650,000	19.42
Maxwell Terry Smith	338,650,000	19.42
EM Enterprises (Qld) Pty Ltd <Sherwood Super Fund A/C>	118,551,250	6.80
Stanbic Nominees Botswana (Pty) Ltd <Sims - NPF 212/001 A/C>	102,855,623	5.90

Voting Rights

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

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

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

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

3. Securities Exchange Listing

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

4. Restricted Securities

The Company has no restricted securities on issue.

SAYONA MINING LIMITED

ABN 26 091 951 978

CORPORATE GOVERNANCE STATEMENT

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

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

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

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

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

The Company has developed a Statement of matters reserved for the Board which documents the role and responsibilities of the Board, a summary of which is as follows:

- providing leadership to the Company;
- overseeing the development and implementation of an appropriate strategy;
- overseeing planning activities including the development and approval of strategic plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets;
- reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis;
- ensuring corporate accountability to the shareholders primarily through effective shareholder communications;
- overseeing the control and accountability systems that ensure the Company is progressing towards the goals set by the Board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;
- ensuring that robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- being responsible for the Company's senior executives, management and other personnel; and
- making all decisions outside the scope of these delegated powers.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company, which includes supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

The Board has clearly delegated all powers to the Executive Director necessary to effectively and efficiently carry out the business of the Company and any exceptions to this delegation requires Board approval, as set out in the Company's Corporate Governance Manual.

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

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

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

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

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

1.3 Reporting on Principle 1

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

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

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

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

2.1 A majority of the Board should be independent Directors

Currently**,** Sayona Mining does not has a majority of independent Directors. As at the date of this report, the Board comprises two Executive Directors and four Non-Executive Directors. One of the Non-Executive Directors, Mr Buckler, holds more than 5% of the voting shares of the company, and therefore does not meet the criteria for independence. However, the Board considers it appropriate for Mr Buckler to remain a member of the Board. The other Non-Executive Directors meet the criteria for independence proposed by the ASX Principles and Recommendations.

While determining the independent status of Directors, the Board has considered whether the Director:

a) holds less than five percent of the voting shares of the Company (in conjunction with their associates); or is an officer of the Company, or otherwise associated directly with a shareholder of more than five percent of the voting shares of the Company;
b) has within the last three years, been employed in an executive capacity by the Company or another group member;
c) has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from the Company exceed 10% of the Company's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;
d) is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either the Company or that supplier or customer; and
e) has a material contractual relationship with the Company or other group member other than as a Director of the Company.

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

2.2 The chairperson should be an independent director

Sayona Mining is compliant with the recommendation. The Chairperson Mr Peter van Riet-Lowe is an independent Non-Executive Director.

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

The Executive Director, Mr Dan O'Neill, is the Chief Executive Officer of Sayona Mining and as mentioned above, Mr Peter van Riet-Lowe is the Chairperson of the Board. This makes Sayona Mining compliant with this recommendation.

2.4 The Board should establish a nomination committee

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

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

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

The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability. The Chairperson undertakes a review of the Board and individual Director's performance at least once a year. Board performance is evaluated in relation to goals that are set at the time of the Board's annual strategic planning session. The Chairperson's review has not been undertaken during the current year.

Induction and Education

New Directors undergo an induction process in which they are given a full briefing on the Company. Where possible, this includes meetings with key executives, tours of the premises, an induction package and presentations.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

Access to information and Independent Professional Advice

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

2.6 Reporting on Principle 2

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

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

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

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

The Company acknowledges that the community expects businesses to be aware of their wider social obligations and to promote practices to maintain confidence in the Company's integrity. The Sayona Mining Board requires high standards of conduct and responsibility from Directors, senior executives and employees at all times. As part of its commitment to recognising the expectations of their stakeholders, the Company has established a

Code of Ethics and Conduct for Directors and employees within its Corporate Governance Manual to guide compliance with legal and other obligations to stakeholders, which include employees, clients, customers, government authorities, creditors and the community. Directors are required to adhere to industry standards in conduct and dealings and promote a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures as well as dealing with stakeholders.

The Board also requires the Company's employees and consultants, to have similar high standards and are required to adhere to industry standards in their conduct and dealings, including trading in securities. The Sayona Mining Board has built the promotion of a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures.

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

Depending on the severity of the breach, such disciplinary action may include reprimand, formal warning, demotion or termination of employment/engagement (as the case may be). Similar disciplinary action may be taken against any manager who directly approves of such action or has knowledge of the action and does not take appropriate remedial action.

Breach of applicable laws or regulations may also result in prosecution by the appropriate authorities.

The Company will not pay, directly or indirectly, any penalties imposed on personnel as a result of a breach of law or regulation.

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

Company Securities Trading Policy

The Company has adopted a Securities Trading Policy pursuant to ASX Listing Rule 12.9. A summary of the policy is available on the Company's website.

Directors, senior executives and employees are required to advise the Chairperson and Company Secretary of their intentions prior to undertaking any transaction in the Company's securities. If a Director, senior executive or employee is considered to possess unpublished market price sensitive information, they will be precluded from making a security transaction until after the time of public release of that information.

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

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

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.

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

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

Due to the size and scale of operations of the Company, the Board believes that a longer term gender diversity objective is more appropriate.

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

3.5 Reporting on Principle 3

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

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

4.1 The Board should establish an audit committee

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

4. 2 The structure of the audit committee

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

4.3 The audit committee has a formal charter

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

4.3 Reporting on Principle 4

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

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

In addition to these mandatory criteria, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, cost and any other matters deemed relevant by the Board.

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

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

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

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

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's shares; and
2. that would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose the Company's shares.

Such matters are advised to the ASX immediately they are identified as being material. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on its website in an area accessible to the public.

5.2 Reporting on Principle 5

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

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

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

6.1 Communications policy

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

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

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

6.2 Reporting on Principle 6

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

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

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

7.1 Risk Management and Internal Control System

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

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

The system covers:

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

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

7.2 Report on risk management and internal control system

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

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

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

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

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

7.4 Reporting on Principle 7

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

PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

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

8.1 The Board should establish a remuneration committee

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

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

8.2 Structure of Non-Executive and Executive Director Remuneration

The remuneration structure for executives, including the Executive Director, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The remuneration policy, setting the terms and conditions for the Executive Director was developed and approved by Non-Executive Directors. Executive Directors, other senior executives and staff receive a base salary, superannuation, fringe benefits and equity based performance remuneration. Superannuation payments consist of the 9% superannuation guarantee contribution. Individuals may elect to salary sacrifice part of their salary to increased payments towards superannuation. No other form of retirement benefit is paid.

Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting and is not linked to the performance of the Company. However, to align Director's interests with shareholder interests, Directors are encouraged to hold equity interests in the Company. The maximum aggregate amount of fees that can be paid to Non-Executive Directors approved by shareholders is currently $100,000.

The Company's remuneration policy provides for long-term incentives through participation in the Company's Employee and Officers Share Option Plan. Any equity based remuneration proposed to be granted to Executive Directors will only be granted with shareholder approval.

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

8.3 Reporting on Principle 8

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