



axiom
Build. Share. Protect.

ANNUAL REPORT 2016



BUILD.

sustainable mining projects



SHARE.

benefits from our operations
amongst all stakeholders



PROTECT.

the wellbeing of our people and local
communities through safe & environmentally
responsible operations

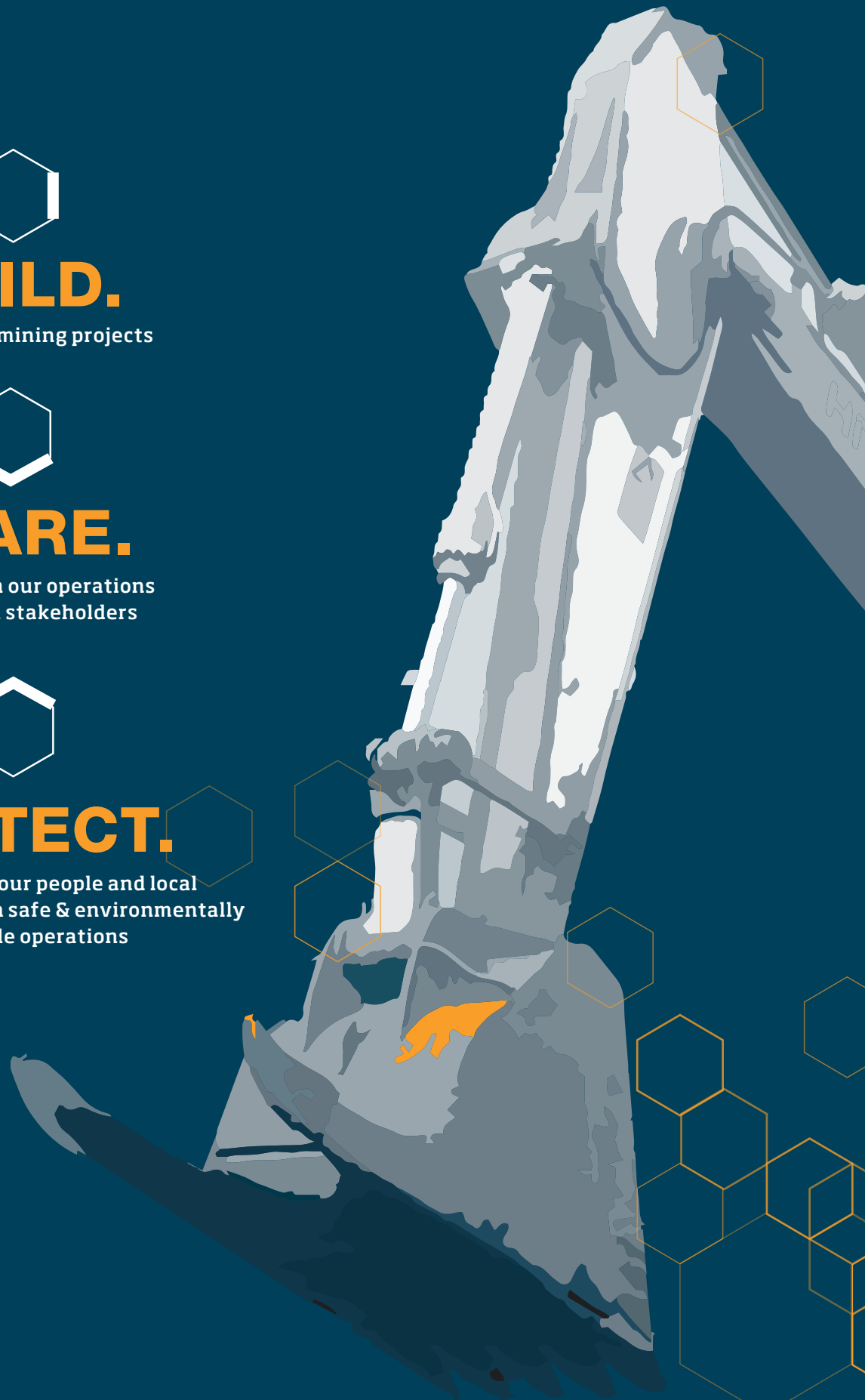


TABLE OF CONTENTS

HIGHLIGHTS OF 2016	4
CHAIRMAN'S REVIEW	6
CEO'S REPORT	8
BOARD OF DIRECTORS	10
OPERATIONS	
Solomon Islands	12
Community Report	17
Australia	20
SCHEDULE OF TENEMENTS	22
GROUP FINANCIAL REPORT	24
ASX ADDITIONAL INFORMATION	66
CORPORATE DIRECTORY	69

CORPORATE GOVERNANCE:

The Company's updated Corporate Governance Statement was released to the ASX on 7 March 2017 and is available at: www.axiom-mining.com



HIGHLIGHTS OF 2016

TRANSITION FROM EXPLORER TO MINER



0 100 200 300 km



PROJECT

COMMENCEMENT OF DRILLING PROGRAM ON SAN JORGE PROJECT.
RE-APPLICATION FOR PROSPECTING LICENCE OVER
THE KOLOSORI DEPOSIT ON SANTA ISABEL ISLAND.



COMMUNITY

REAFFIRMED RELATIONSHIPS WITH OUR LOCAL JOINT VENTURE PARTNERS
IN THE ISABEL NICKEL PROJECT – THE LANDOWNERS.



STRATEGIC PARTNERSHIPS

INCOR INVESTED \$5M AND BECAME A LONG TERM STRATEGIC PARTNER.
OFF-TAKE AGREEMENT AND FINANCING FACILITY WITH GUNVOR IN PLACE.



BOARD & KEY EXECUTIVE APPOINTMENTS

CHAIRMAN APPOINTED IN FEBRUARY 2016 FOLLOWED BY THE APPOINTMENT OF KEY
EXECUTIVE MANAGEMENT POSITIONS INCLUDING CHIEF FINANCIAL OFFICER AND
EXECUTIVE GENERAL MANAGER - OPERATIONS - FOR SOLOMON ISLANDS.

CHAIRMAN'S REVIEW

ROBERT BARRAKET



Having been the chairman of the Board of Axiom for now just over a year, I remain excited to be involved in overseeing the delivery of a world class nickel project in the South Pacific region.

I remain strongly convinced that Axiom is uniquely positioned with its strong presence in the Solomon Islands, to be the only company with the ability to deliver such an outcome.

The potential for significant value creation for the shareholders of the Company remains, as does the opportunity to assist the Solomon Islands community and economy to achieve long-term financial self-sufficiency. The two outcomes are inextricably linked.

Being a leader and delivering the first of any kind doesn't come without challenges and we thank shareholders for their patience. The decision of the Solomon Islands Court of Appeal in March 2016 delivered the Company both success and further challenge as the Kolosori prospecting licence was withdrawn because of regulatory failure forcing Axiom to resubmit its application. No adverse findings were made against Axiom.

Axiom has shown strength and resolve in standing alongside the Solomon Islands government and the landowning community in resolving the protracted litigation. This has strengthened our relationship with these key stakeholders.

I strongly believe that Axiom remains uniquely positioned to manage the challenges, by focusing on the establishment of key stakeholder relationships and integrating into the Solomon Islands community at all levels.

The Company has developed strong ties with the landowners and has developed a well regarded comprehensive community engagement program. This is fundamental to facilitating progress through the various channels within the Solomon Islands government and community to achieve what should be joint aims, with the key priority to secure the necessary licences to open the path to development.

I remain impressed by the focus and commitment of the Axiom team led by our Managing Director, Ryan Mount. This team has established themselves in the Solomon Islands to lead the push to development, with an organisation of predominantly indigenous staff that is highly regarded by the Solomon Islands people.

With the Isabel Nickel Project comprising two similar sized deposits, the Company has been able to maintain operational focus proceeding with pre-development work on the San Jorge deposit whilst awaiting the approval following the reapplication for the Kolosori licences.

The San Jorge program has now proceeded to a point where the application for the San Jorge mining lease was submitted in December 2016. This places the Company in the solid position of potentially having parallel development options for both the Kolosori and San Jorge deposits once the licences are issued.

Axiom remains committed to these projects as its first priority, and thanks shareholders for their patience and support as we strive to deliver world class outcomes in the region.

Robert Barraket

Chairman

// I STRONGLY BELIEVE THAT AXIOM REMAINS UNIQUELY POSITIONED TO MANAGE THESE CHALLENGES, THROUGH IT'S FOCUS ON KEY STAKEHOLDER RELATIONSHIPS & INTEGRATING INTO THE SOLOMON ISLANDS COMMUNITY AT ALL LEVELS. //



CEO'S REPORT

RYAN MOUNT



While 2015-16 delivered a number of unexpected challenges to both Axiom and the broader nickel industry, the Company continued solid progress towards becoming a significant mining company in the Asia-Pacific region.

We maintained our focus on delivering at least one of the two key nickel projects of the world-class Isabel deposit in the Solomon Islands.

The end of 2015 saw a focus on the Kolosori project on Santa Isabel island with the achievement of two key milestones—a strategic partnership with InCoR to provide funding and technology, and an off-take agreement with global trading house Gunvor Singapore Pte Ltd (Gunvor) and for the provision of a debt financing facility.

During this period, we upgraded the project's JORC Mineral Resource and defined the first 5 years of production. The high grade saprolite total Mineral Resource tonnage almost doubled to 3.9 million tonnes at 1.7% Ni, demonstrating the potential of this world class asset.

In preparation for project development we have implemented the necessary remote site infrastructure and logistical support, and employed 150 Solomon Islanders.

On 21 March 2016, the much-awaited judgement by the Solomon Islands Court of Appeal regarding the Isabel Nickel Project was delivered. In an unexpected ruling, the Court held that the land where the Kolosori deposit is located remains customary land, and as a result the registered lease and Prospecting Licence held by Axiom and the local landowner groups were set aside.

While this was not the judgment we had hoped for, it has provided the direction we needed to continue to invest in the mineral-rich Solomon Islands. In conjunction with discussions with key stakeholders and the Solomon Islands Government, we have reapplied for the Prospecting Licence for the Kolosori tenement and remain optimistic about regaining it.

We maintain that our steadfast approach to sustainable development, strong ties with customary landowners in Solomon Islands and the robust technical work undertaken over the past two years should give us a competitive edge in the permitting and subsequent development of this world class deposit.

On receipt of the Court ruling, we also re-organised our operations and focused our attention to the other asset in the Isabel Nickel Project, the San Jorge tenement.

The San Jorge Prospecting Licence was granted in 2015 and was previously subject to significant exploration in the 1960s & 70s by Inco Ltd (now Vale Ltd). Historical exploration data indicates that the San Jorge deposit is very similar to the Kolosori deposit including in both grade and tonnage.

The September quarter saw us commence development of the San Jorge tenement. The initial element of this, was the commencement of a significant drilling program on the tenement.

Good progress has been made on the project on San Jorge Island – establishment of infrastructure continues, environmental and social studies (prerequisites for a mining lease) were progressed and our drilling has been focused on the most efficient areas for initial mining to occur. From a corporate perspective, Robert Barraket was appointed as

// WE MAINTAINED OUR FOCUS ON DELIVERING AT LEAST ONE OF THE TWO KEY NICKEL PROJECTS AT THE WORLD-CLASS ISABEL DEPOSIT IN THE SOLOMON ISLANDS. //

Non-Executive Chairman in February 2016 and after the reporting period Mr David Kinsman was appointed Chief Financial Officer and Company Secretary.

Despite the frustrations over the past years surrounding the complex litigation process during a global downturn in the resources industry, we have been able to maintain strong landowner and community relations in Solomon Islands.

This combined with a solid operational base in Honiara, places us in an advantageous position for mineral development in the Solomon Islands.

While 2016 was a challenging year for us, considering the circumstances I was satisfied with our performance. We maintained our premium and unique position in Solomon Islands, recapitalised the business and got on with the job of developing a world class project.

Our immediate goal is on securing the required permits for mine development of the Isabel Nickel Project and ensuring that this development will be free from any further disputes preventing development. We will take a phased approach to mine development on the Isabel Nickel Project, with an initial focus on establishing a direct shipping of ore (DSO) operation.

The cashflow generated from the early stages will provide Axiom with the capital needed to add value through expansion of the project. We will continue to develop strong relationships with the communities within which we operate, paving the way for long term efficiencies and other opportunities in the Pacific region.



The year ahead is certainly looking very exciting: the nickel ore market in the Pacific is ripe for new sources of supply, our strategic partners remain firmly by our side, and most importantly the people on the ground both in the local communities and in our work force are very capable and motivated to bring the Isabel Project into production this year.

We look forward to keeping you informed on our next stages of growth in Solomon Islands.

Ryan Mount

Chief Executive Officer

BOARD OF DIRECTORS



MR ROBERT BARRAKET

Non-Executive Chairman

Mr Robert Barraket was appointed Chairman of Axiom Mining in February 2016. Mr Barraket has almost 51 years' experience in legal practice including the establishment of two successful legal firms. He has been the legal advisor to numerous international and Australian mining and mineral exploration companies with interests in Australia and abroad.

Mr Barraket is currently Non-Executive Chairman of Mantle Mining Corporation Limited.



MR RYAN MOUNT

Chief Executive Officer & Managing Director

Mr Ryan Mount joined the Axiom Mining Board as a Non-Executive Director in April 2009. Following his appointment, he led the crucial restructure of the company – an exercise that saw Axiom gain full control of the company's assets, define a clear strategic direction, appoint a new Board and management team and as well as listing on the ASX by December 2009.

In 2010, Mr Mount was appointed CEO. Since his appointment, he has been instrumental in refining Axiom's operations, in particular focussing the business towards the development of the world class Isabel Nickel Project in Solomon Islands.

Mr Mount resides in Solomon Islands where he leads the defence of Axiom's rights in the Courts and the current development of the Isabel Nickel Project. He has an extensive background in Australian and international financial markets, as well as corporate advisory. Mr Mount is also a member of the Australian Institute of Company Directors.



MR JEREMY GRAY

Non-Executive Director

Mr Jeremy Gray's career in mining investment include appointments as the Global Head of Basic Materials at Standard Chartered Bank Plc, Head of Metals and Mining Research at Morgan Stanley in London and the Head of Mining Research at Credit Suisse in London.

Mr Gray is currently a Director and a Managing Partner of Chancery Asset Management, and holds an Honours degree in Finance from Melbourne University.

EXECUTIVE MANAGEMENT



MR DAVID KINSMAN

Chief Financial Officer & Company Secretary

Mr Kinsman has a track record of establishing effective finance teams as well as an extensive background as a senior finance executive in multinational organisations, including 11 years overseeing major development projects with Boeing Australia Limited.

More recently he was Chief Financial Officer and Company Secretary for Southern Cross Goldfields Limited and Polymetals Mining Limited, leading their initial public listing process. Prior to that he held the dual roles of Chief Executive and Chief Financial Officer at Innamincka Petroleum Limited.

Mr Kinsman has also spent a number of years with global oil and gas companies in Papua New Guinea establishing their in-country finance functions. Mr Kinsman holds both Bachelor of Commerce and Bachelor of Economics degrees from the University of Queensland, and is a Member of the Institute of Chartered Accountants, Australia.



MR KEN STEIN

Executive General Manager - Operations

40 years' experience in mining as Engineering Manager with BHP in Australia, Timor Leste and Africa.

Mr Stein was previously COO for European Nickel and Toldeo Mining developing and managing nickel mines in the Philippines.



DR PHIL TAGINI

General Manager - Sustainable Development

Previously Special Secretary to the Prime Minister of Solomon Islands in charge of mining law and policy.

Dr Tagini holds a PhD in mining law and regulation in Solomon Islands from Monash University.



PROF DAVID DREISINGER

Technical Advisor

A world leader in development and implementation of hydrometallurgical recovery of base, precious and rare metals.

Prof Dreisinger holds the position of Professor and Industrial Research Chair in Hydrometallurgy at the University of British Columbia.

OPERATIONS

SOLOMON ISLANDS

Axiom Mining remains focused on developing a mine at its world class Isabel Nickel Project. The mineral-rich Solomon Islands offers Axiom a multitude of project opportunities to become one of the region's most significant and profitable near term, low cost producers.



ISABEL NICKEL PROJECT

Tenement: San Jorge (PL 01/15)

Ownership: 80% Axiom
20% Landowners

Location: San Jorge Island

Area: 36km²

In early 2015 Axiom was granted a Prospecting Licence over the San Jorge tenement, a part of the world class Isabel Nickel Project in the Solomon Islands.

Development activities progressed during 2016, including the construction of camp infrastructure and facilities and the training of a local workforce.

In September 2016, Axiom commenced an initial resource definition drilling program. Early drilling results had intersected high grade nickel laterites which will be used to define a maiden JORC Mineral Resource in 2017.

Axiom has targeted an initial area within the San Jorge tenement that presents optimal logistical characteristics of mining direct shipping and ore (DSO) operations and, subject to licencing, places the Company in a position to commence mining production in 2017.

Significant exploration potential exists to target additional saprolite mineralisation under known limonite occurrences and also in areas not fully explored previously.

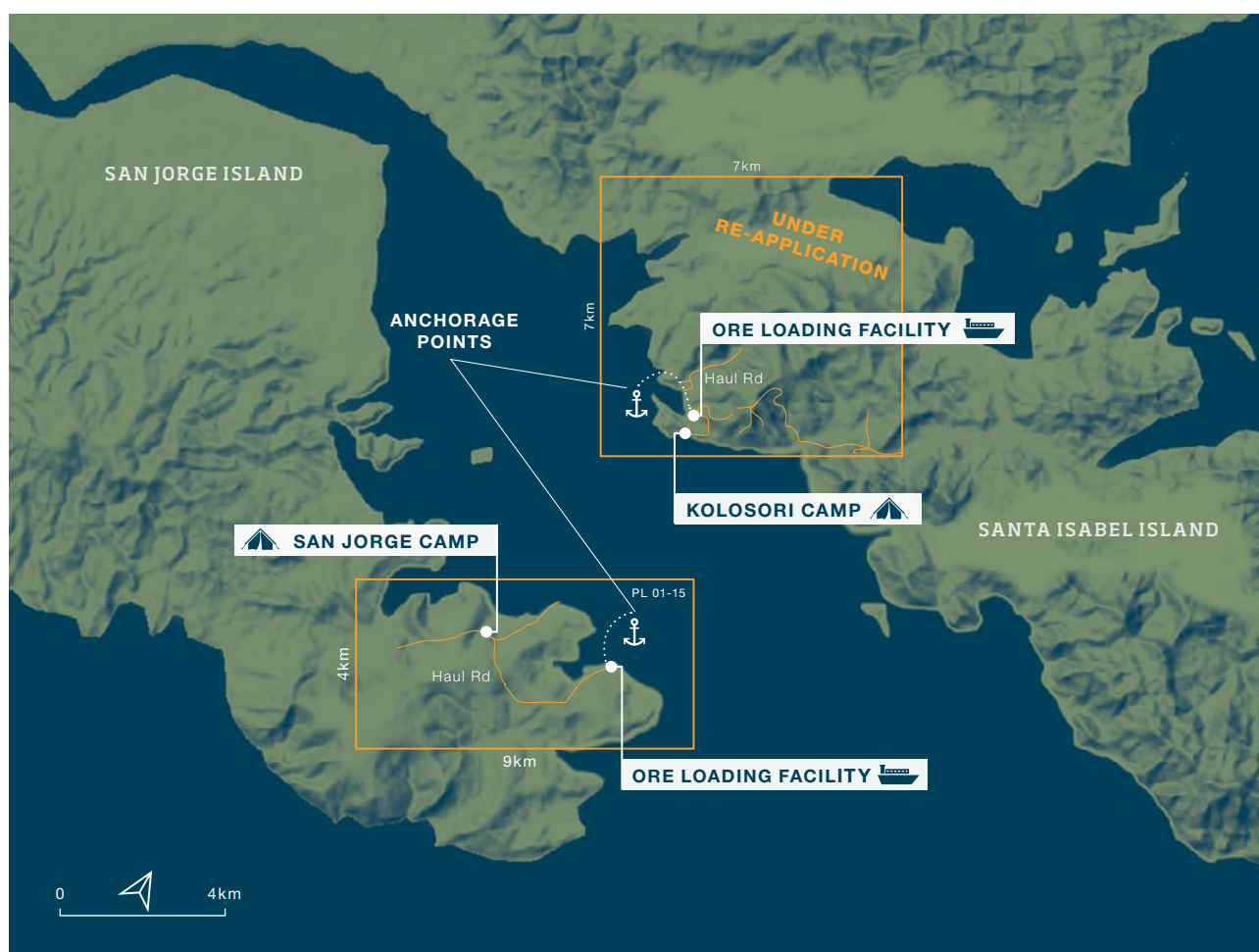
The San Jorge nickel deposit shows excellent potential. Existing road access and short haul to point of shipping in the natural harbour make for a quick transition from mine site to seaborne regional processing hubs. Furthermore, the location supports a cost effective truck and haul model.

The main areas of nickel mineralisation are surface accessible and remote from human habitation. Mining development will have minimal social impact.

The Company will progress with mine design and planning, environmental impact study and development work in early 2017.

In 2017 the clear focus of Axiom is on a phased development that will lead to an economically viable direct shipping of ore operation sourced to the historically rich nickel deposits on San Jorge Island.





Tenement: Kolosori (Under re-application)

Ownership: 80% Axiom
20% Landowners

Location: Santa Isabel Island

Area: 42km²

In 2015, Axiom completed a significant drill program at Kolosori, based on 542 drill holes with 6,864m² of core samples and 7,849 assayed intervals. This resulted in the announcement of a Maiden JORC Mineral Resource from part of the Kolosori tenement which on 29 December 2015 was successfully upgraded enabling subsequent definition of the first five years of production for the Kolosori deposit.

Subsequently, in early 2016, Axiom undertook pre-development activities including detailed mine planning and mine layout for the development and construction of camp accommodation, water treatment systems and workshop facilities along with the associated environmental management plan. This work was carried out in preparation of the commencement of an initial shipment of ore on the

Kolosori tenement which was scheduled to commence in April 2016. All work on this tenement was put on hold following the Solomon Islands Court of Appeal decision in March 2016 which set aside the Prospecting Licence issued to Axiom. The Company subsequently re-applied for the Prospecting Licence on Kolosori in the same month.

In mid-2016, in readiness for the eventual granting of the Prospecting Licence, the Company proceeded with a number of internal studies which were completed in August 2016 and also progressed an environmental impact assessment study and social and cultural heritage assessment study in readiness for the eventual commencement of mine operations. This work places the Company in a strong position to expedite future pre-development activities once licencing issues are remedied.

Axiom has continued to maintain a strong relationship with the landowners and key stakeholders in Isabel and at the time of this publication the company is awaiting the formal approval of the Prospecting Licence application from authorities.

WEST GUADALCANAL GOLD PROJECT

Tenement: West Guadalcanal (PL 01/14)

Ownership: 100% Axiom

Location: West Guadalcanal

Area: 485km²

This gold, copper and silver rich tenement is currently in the process of renewal by the Solomon Islands Government with expectations of it being granted shortly.

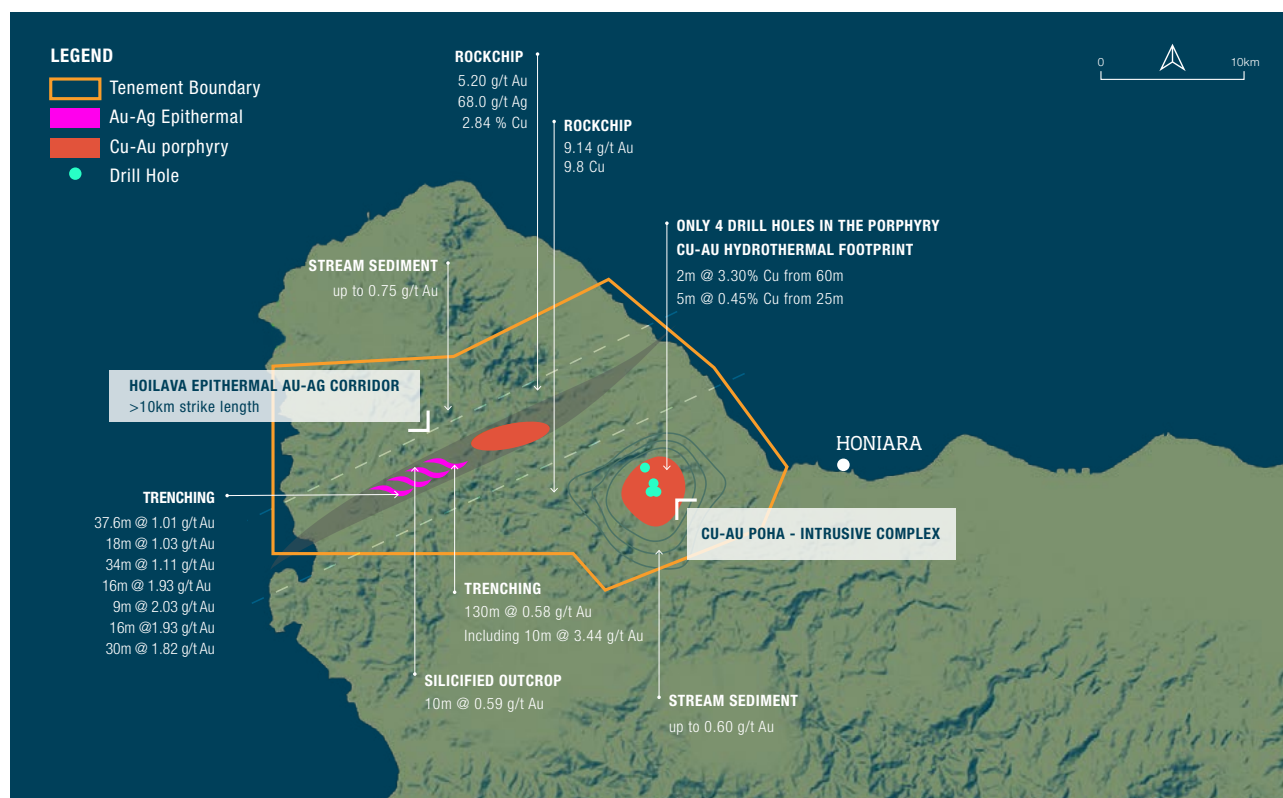
As previously announced, this project offers Axiom access to a potentially large gold-silver deposit that lies within a 10km long carbonate base metal gold epithermal corridor and also an under explored porphyry copper-gold hydrothermal prospect.

Axiom had previously completed an initial drill program at the Taho prospect and an associated technical review to assess the further potential at both the Taho prospect, and along the 14km Hoilava River mineralised area.

Mineral assemblages of the epithermal corridor indicate the deposit is part of a carbonate base metal low sulphidation epithermal system—minerals include rhodochrosite, ankerite, siderite, pyrite, galena, sphalerite and various silver-based sulphides (similar to the Porgera Gold Mine, Papua New Guinea).

A selection of historical results along with Axiom's exploration highlights are shown in the map below.

Recent increases in the gold and copper price make this project particularly attractive and whilst Axiom's focus during 2016 and now in 2017 has been on the Isabel Nickel Project, the Company will leverage its in-country technical expertise and resources for efficient exploration of the West Guadalcanal tenement.



"Community: the feeling of sharing things & belonging to a group in the place where you live."



BUILD. SHARE. PROTECT.

Axiom continues to demonstrate its commitment to community relations, while simultaneously exploring ways to improve participation for all stakeholders. We continuously strive to deepen relationships with our current partners, implement sustainable systems and look for places and ways to establish relationships with new partners and stakeholders. These efforts are grounded in our values of "Build. Share. Protect."



COMMUNITY REPORT

AXIOM'S COMMUNITY COMMITMENT

Axiom is committed to appropriate and transparent development that ensures local landowners and the wider community benefit now and in the future. Our approach to community engagement gives local communities a voice and an ongoing share in the development plans of the land.

The essence of the word “community” forms the major component of Axiom key values.

Our values of Build. Share. Protect. are the principles of how Axiom operates – at every level of the business.

It is these values that ensure that the communities in which we operate, and are a part of, benefit from the mineral development and are respected.

Whether a large broad project, establishing local supply chains, recruiting personnel or implementing a particular component of the mine, at all times Axiom staff ensure that these and all aspects of our business are based on the principles of Build. Share. Protect.

The local community can rely on Axiom's core values as surety that they will be respected and benefit from our mineral development activities.

This has led to Axiom having a prime position in the under-explored yet geologically gifted nation of Solomon Islands.

Our respect for the land, the people, their culture and their traditions is of the highest level and we are always eager to learn more about the local way of life.

We are committed to integrating into the local communities in which we operate – respecting their land, culture and ownership rights and sharing with them the rewards of economic development. We are also 100% committed to minimising our impact on the surrounding native environment. It is this attitude and philosophy which sets Axiom apart from our mining industry peers.



Community Assistance

We are a significant contributor in the community, through our support of sport, church, women and youth groups, and other local activities. The volume of requests received by Axiom is an indication of its standing in the local communities. Throughout 2016 Axiom has provided support to a number of initiatives, such as donations for the flag raising ceremony at the Isabel Province's 2nd Appointment Day, and assisting in the hosting of the Kodili Festival in the provincial capital, Buala.

This festival celebrates the people of Isabel coming together to showcase their culture, and is an important tourism event for the region.



Embracing Local Knowledge & Systems of Governance

Our tenements are situated across Isabel and Guadalcanal Provinces, two islands which have many similarities, yet various unique cultural differences. We acknowledge there is much to be learnt from our local contexts.

To capture the richness of knowledge in the places we operate, we have developed forums, dialogues and other frameworks which enable people to participate, design and map out a common destiny for everyone based on the notion of "prosperity through unity."





Education for all Ages

We recognise that education is a key platform for long term prosperity. Following the delivery of school programs in recent years, Axiom has recently focused on working with the community elders to establish accountability structures to better manage common funds to the benefit of the whole community, including investing in education.

When aligned with the community-based project ownership structures, this provides a strong and secure model for shared prosperity.



Commitment to Health, Safety and Environment

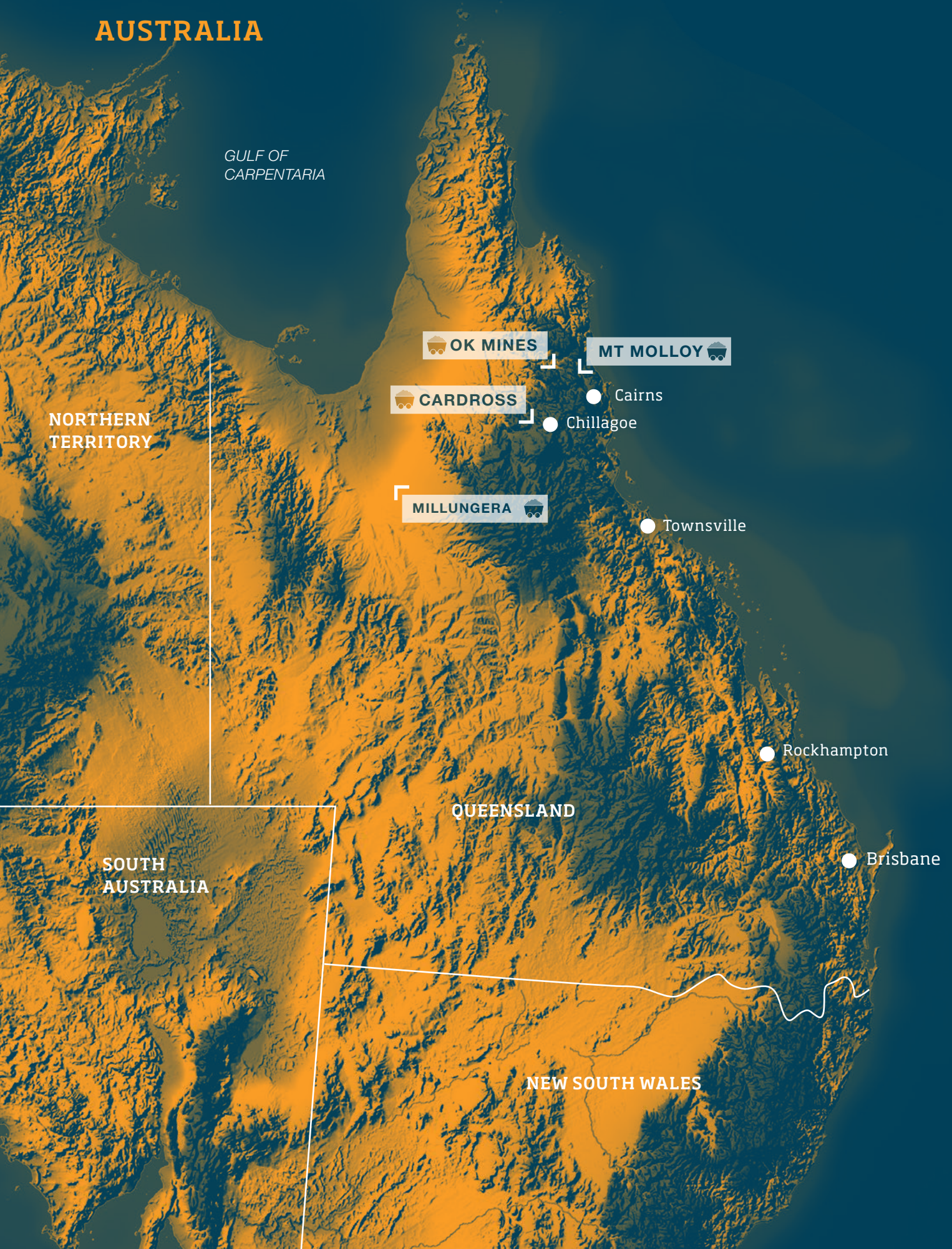
Our success in business is directly linked to our success in protecting the people and environment. We continue to support the delivery of first aid training for indigenous employees and local communities, and hold ourselves accountable to leaving the environment as pristine and undamaged as possible.

We believe this is the only way our operations and business will be sustainable



OPERATIONS

AUSTRALIA





0 300 600km

CORAL SEA

With four Exploration Permits and seven mining leases in its portfolio, Axiom Mining has a strategic mineral tenement holding in the Chillagoe region of North Queensland. A review of North Queensland tenements continued in 2016.

THE CARDROSS, MT MOLLOY & OK MINES PROJECTS

Axiom holds seven granted mining leases for copper (gold, silver) and all are located within trucking distance of Chillagoe. Based on the previous Axiom drill results and past production records, they hold potential to possibly supply copper oxide or sulphide material either through toll mining/ milling or by joint venture or sale.

EPM 19821, surrounding the Cardross mining lease, contains the Mountain Maid Gold Project as well as a number of exciting Intrusive or epithermal gold prospects which have had only limited modern exploration undertaken on them.

Axiom continues to review the Mountain Maid economics due to the improving gold price, and is also undertaking an investigation of exploration ground held in other areas within close proximity to our existing projects for opportunities and project synergies.

OTHER PROJECTS

Axiom currently holds three Exploration Permits for oil shale covering large areas of the oil rich Toolebuc Formation, at shallow depths, at Millungera north of Julia Creek. These assets are considered as non-core and the Company plans to seek appropriate value releasing transactions.

SCHEDULE OF TENEMENTS

Mining tenements held as at annual period ending 30 September 2016

COUNTRY	NAME & LOCATION	TENEMENT NUMBER	INTEREST HELD	STATUS
SOLOMON ISLANDS	Isabel Nickel Project; Santa Isabel Island and San Jorge Island			
	Kolosori	-	80%	Under application for PL
	San Jorge	PL 01/15	80%	Granted
	West Guadalcanal Project			
	West Guadalcanal	PL 01/14	100%	Application for renewal
AUSTRALIA	Cardross Project, Chillagoe, Qld			
	Cardross	ML 20003	100%	Granted
	Jessica	EPM 15593	100%	Granted*
	Cardross	EPM 19821	100%	Granted
	Mount Molloy Project, Mareeba, Qld			
	Mt Molloy copper mines	ML 4831	100%	Granted
	Millungera Project, Georgetown, Qld			
	Blackbull	EPM 25252	100%	Granted
	Whitebull	EPM 25256	100%	Granted
	Redbull	EPM 25257	100%	Granted
	OK Mines Project, Chillagoe, Qld			
	OK North	ML 4805	100%	Granted
	OK South	ML 4806	100%	Granted
	OK Extended	ML 4809	100%	Granted
	OK Extended No. 2	ML 4813	100%	Granted
	OK	ML 5038	100%	Granted

*Relinquished in December 2016, outside this reporting period.

Abbreviations

EPM	Queensland	Exploration Permit for Minerals
ML	Queensland	Mining Lease
PL	Solomon Islands	Prospecting Licence



Disclaimer

Statements in this document that are forward-looking and involve numerous risks and uncertainties that could cause actual results to differ materially from expected results are based on the Company's current beliefs and assumptions regarding a large number of factors affecting its business, including the re-issue of an exploration prospecting licence for the Kolosori tenement is extracted from a release to the ASX on 23 March 2016.

There can be no assurance that (i) the Company has correctly measured or identified all of the factors affecting its business or their extent or likely impact; (ii) the publicly available information with respect to these factors on which the Company's analysis is based is complete or accurate; (iii) the Company's analysis is correct; or (iv) the Company's strategy, which is based in part on this analysis, will be successful.

These statements are given only as at the date of this annual report and the Company disclaims any obligation to update or revise the statements as a result of new information or future events except as required by law.

The information in this Annual Report relating to exploration results for the Isabel Nickel Project (Kolosori deposit) is extracted from releases to the ASX on 30 September 2015 and 29 December 2015, and exploration results for the West Guadalcanal Project is extracted from a release to the ASX on 31 July 2015. Axiom is not aware of any new information or data that materially affects the information in the original market announcements and that all material assumptions and technical parameters underpinning these exploration results continue to apply and have not materially changed. However, the Company directs readers of this Annual Report to an ASX announcement dated 23 March 2016 advising that the Solomon Islands Court of Appeal had set aside Axiom's lease and prospecting licence in respect of the Kolosori deposit and a further ASX announcement dated 9 May 2016 in which the company advised that it had subsequently re-applied for the Kolosori prospecting licence.

GROUP FINANCIAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

DIRECTORS' REPORT	25
INDEPENDENT AUDITOR'S REPORT	29
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	31
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	32
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	33
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	34
CONSOLIDATED STATEMENT OF CASH FLOWS	35
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	36

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to herein as the 'Group') consisting of Axiom Mining Limited ('the Company' or 'Axiom') and its controlled entities for the financial year ended 30 September 2016.

DIRECTORS

The following persons were Directors of the Company during the year and to the date of this report:

Robert Barraket

(LLB, Solicitor of the Supreme court of NSW and High Court of Australia)

Chairman and Non-Executive Director (age 71)

Robert was appointed Chairman of Axiom Mining Limited on the 19 February 2016. He has 51 years' experience in legal practice including the establishment of two successful legal firms. He has been legal advisor to numerous international and Australian mining and mineral exploration companies with interests in Australia and abroad. He was a Senior Founding Partner and Chairman of Barraket Stanton Lawyers in Sydney and retired from the legal practice on the 1 December 2016.

Other current directorships:

- Mantle Mining Corporation Limited and Morning Star Gold NL (wholly owned subsidiary) – (Chairman and Non-Executive Director)

Ryan Richard Mount

Executive Director and Chief Executive Officer (age 37)

Ryan joined the Axiom Board as a Director in April 2009. Following his appointment, he led the crucial restructure of the Company—an exercise that saw Axiom gain full control of the Company's assets, define a clear strategic direction appoint a new Board and management team and a listing on the Australian Securities Exchange ('ASX') by December 2009.

In 2010, Ryan was also appointed CEO to lead the pursuit of the world-class Isabel nickel deposit in Solomon Islands

He has an extensive background in Australian and international financial markets, as well as corporate advisory. Ryan is also a member of the Australian Institute of Company Directors.

Other directorships:

- Nil

Jeremy Robin Gray

(Honours degree in Finance from Melbourne University)

Non-Executive Director (age 46)

Jeremy is a mining investment professional with 20 years of experience in global capital markets as a Mining Equity Analyst, Mining Portfolio Manager and Investment Banker.

Jeremy's career in mining investment include appointments as the Global Head of Basic Materials Equity Research at Standard Chartered Bank Plc, Head of Metals and Mining Research at Morgan Stanley Equity in London, and the Head of Mining Equity Research at Credit Suisse in London.

Jeremy is also currently Managing Partner of Chancery Asset Management.

Other directorships:

- Nil

FORMER DIRECTOR

Stephen Ray Williams

(LLB, Solicitor of the Supreme court of NSW and High Court of Australia)

*Former Chairman and Non-Executive Director (age 63)
Resigned 19 February 2016*

Stephen is a corporate lawyer by profession and is an experienced director and has chaired public companies from Initial Public Offering through to maturity.

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and rights or options in shares of the Company or a related body corporate as at the date of this report:

Directors	Fully paid ordinary shares	Share rights Number
Robert Barraket	Nil	500,000
Ryan Richard Mount	1,155,223	Nil
Jeremy Robin Gray	603,306	400,000

DIRECTORS' REPORT

continued

Directors' interests

Save as disclosed in Note 18(d) and (e) to these consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, nor were any such rights exercised by them.

Directors' interests in contracts

Except as disclosed in Note 21 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party, and in which Directors of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' meetings

During the year the Company held 12 (twelve) meetings of Directors of which 9 (nine) were by attendance or teleconference and 3 (three) were by circulating resolution. The attendance of each Director at meetings of the

Board of Directors and associated Board committees was as follows:

Directors	Directors' meetings		Audit meetings	
	A	B	A	B
Robert Barraket	5	5	1	1
Stephen Ray Williams	7	7	1	1
Ryan Richard Mount	12	12	2	2
Jeremy Robin Gray	12	12	2	2

Notes:

A – Number of meetings attended.

B – Number of meetings held during the time the Director held office during the year.

The composition of the Board is not suitable for the formation of separate additional subcommittees and these responsibilities are undertaken by the whole Board.

Company Secretary

Boacoh Secretarial Limited (Company Secretary)

As the Company is incorporated in Hong Kong it is a requirement under the Hong Kong Companies Ordinance to have a resident Company Secretary and Boacoh Secretarial Limited of Hong Kong acts as Company Secretary for the Company. Boacoh Secretarial Limited is a Company owned by the partners of Boase Cohen & Collins Solicitors.

David Kinsman (Local Agent)

(Bachelor of Commerce and Bachelor of Economics degrees from University of Queensland, Member of the Institute of Chartered Accountants, Australia).

As Axiom is registered in Australia it is required to appoint a Local Agent for receipt of notices from both the Australia Securities Exchange Limited and the Australian Securities and Investment Commission.

On 7 November 2016, the Company appointed David Kinsman as Company Secretary in Australia to act as Local Agent. David has previously been Chief Financial Officer and Company Secretary for a number of ASX-listed companies involved in mining including Southern Cross Goldfields Limited and Polymetals Mining Limited. Prior to that he held both Chief Financial Officer and Chief Executive positions with Innamincka Petroleum Limited.

Principal activities

The principal activities of the Company and the Group during the year were mineral exploration and assessment of potential mining acquisition opportunities in Australia, Solomon Islands and Vietnam.

Axiom's key focus was the advanced exploration program and mine development on the Isabel Nickel Project.

There were no significant changes in the nature of the Group's principal activities during the year.

OPERATING AND FINANCIAL REVIEW

Results of operations

The consolidated loss from ordinary activities of the Company and its controlled entities for the year ended 30 September 2016 after income tax was \$22,072,000 (2015: \$12,460,000).

Isabel Nickel Project

Kolosori Deposit

On 29 December 2015, Axiom announced an update to the independent JORC Mineral Resource estimate for Prospecting Licence 74/11 area (Kolosori tenement). This JORC Mineral Resource estimate upgrade followed the addition of 527 drill holes from the second phase of drilling completed since the maiden JORC Mineral Resource estimate announced on 30 September 2015.

Site infrastructure development was on track to achieve Axiom's first bulk shipment. However the Court of Appeal delivered its judgement in March 2016 which ordered the Kolosori Prospecting Licence be set aside and so all work ceased on the project site.

The Company has re-applied for the prospecting licence over the Kolosori deposit.

The carrying value of the Kolosori Project as at 30 September 2016 has been impaired given the Court of Appeal ruling.

DIRECTORS' REPORT

continued

San Jorge Deposit

On the 7 September 2016 Axiom announced the commencement of a drilling program on the Isabel Nickel Project on San Jorge Island under Prospecting Licence (PL 01/15). The San Jorge tenement area makes up approximately 50% of the known Isabel Nickel Project in the Solomon Islands.

The initial program includes approximately 2,500 metres over 200 holes. The drilling results will provide for the definition of a maiden JORC Mineral Resource.

Other Exploration Areas

West Guadalcanal Project

A technical review of the West Guadalcanal Project under Prospecting License 01/14 in the north west of Guadalcanal Island in Solomon Islands was completed in mid-2015. Axiom has submitted a renewal application for the tenement. In line with the accounting policy taken with the Kolosori tenement, the Company has decided to impair the carrying value of the West Guadalcanal Project.

Share capital

During the year the Company issued 72,715,573 (2015: 45,374,975) ordinary shares via placements, on exercise of performance rights, conversion of convertible shares, exercise of options and as payment for services.

Details of the movements in share capital of the Company during the year are set out in Note 18(a) to the consolidated financial statements.

Changes in the state of affairs

Apart from the results of the legal proceedings mentioned below, no significant changes to the state of affairs of the Group have occurred during the financial year.

Dividends

The Board of Directors do not recommend the payment of any dividend for the year (2015: nil).

Events subsequent to period end

There are no other matters or circumstances have arisen since 30 September 2016 that significantly affected or could significantly affect the operations of the Consolidated Group in future years.

Proceedings on behalf of Company

The Solomon Islands Court of Appeal delivered judgment in relation to the Isabel Nickel Project on 21 March 2016, and held that the land where the Kolosori deposit is located remains customary land. As a result, Axiom KB Limited's (Axiom KB) registered lease and Prospecting Licence were set aside.

The judgment also held that SMM Solomon Limited (Sumitomo) was not entitled to a Prospecting Licence (74/11) for the tenement as it had breached Solomon Islands' land banking provisions by holding too many Prospecting Licences.

No adverse findings were made about the conduct of Axiom KB or its officers, and Axiom's partnership with landowners remains intact. The Company has re-applied for a Prospecting Licence over the Kolosori tenement, and is awaiting formal feedback on its application from the Solomon Islands Government.

Apart from the matters discussed, 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 such proceedings.

Likely developments and expected results

In the opinion of the Directors it may prejudice the interests of the Company to provide additional information in relation to the future developments and business strategies of the operations of the Company and the expected results of those operations in subsequent financial years.

Environmental regulation

The Group is subject to significant environmental regulation with respect to its exploration activities. The Group aims to ensure that the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation for the year under review.

Auditors

Zenith CPA Limited retires and a resolution for the reappointment as auditor of the Company will be proposed at the forthcoming general meeting.

Other transactions with KMP and their related parties

Apart from the transactions disclosed in Note 21(c) to the consolidated financial statements, there were no other transactions conducted between the Group and KMP or their related parties, relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

DIRECTORS' REPORT

continued

Indemnification of officers and auditors

During the financial year, the Company paid an insurance premium in respect of a contract insuring Directors and officers against liability of arising from claims brought against them individually or jointly while performing services for the Company, and against expenses relating thereto, in accordance with the Company's constitution. In accordance with commercial practice, the insurance policy prohibits disclosure of the amount of the premium and the nature and the amount of the liability covered.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Robert Barraket', with a stylized flourish at the end.

Robert Barraket
Chairman

Brisbane, Australia
31 December 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Axiom Mining Limited



Independent auditor's report
To the members of Axiom Mining Limited
 (Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Axiom Mining Limited (the 'Company') and its subsidiaries set out on pages 9 to 53, which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give 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 consolidated financial statements.

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



Independent auditor's report (continued)
To the members of Axiom Mining Limited
(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 September 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 in the financial statements, which indicate that the Group incurred a net loss of AU\$22,072,000 during the year ended 30 September 2016 and reported net cash outflow from operating activities of AU\$8,479,000 for the year ended 30 September 2016. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Zenith CPA Limited
Certified Public Accountants
Cheng Po Yuen
Practising Certificate Number: P04887
Hong Kong
31 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2016

	Notes	2016 \$000	2015 \$000
Revenue			
Interest income		21	12
Sundry income		18	7
Total revenue	5	39	19
Depreciation and amortisation	12	(284)	(326)
Employee benefits expense		(3,151)	(2,960)
Superannuation		(283)	(212)
Impairment loss on assets		(12,208)	(17)
Exploration costs		(424)	(471)
Foreign exchange (loss)/gain		14	(37)
Administration and other expenses	6	(3,132)	(6,386)
Rent and occupancy costs		(584)	(369)
Share-based payments		(2,083)	(902)
Write-off of subsidiary		-	(133)
Finance costs		24	(666)
Loss before income tax		(22,072)	(12,460)
Tax expense	7	-	-
Loss for the year		(22,072)	(12,460)
Loss for the year after tax attributable to members of the Company:			
Owners of the Company		(19,326)	(11,931)
Non-controlling interests		(2,746)	(529)
		(22,072)	(12,460)
Loss per share		Cents	Cents
Basic and diluted	8	(6.57)	(5.00)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2016

	2016 \$000	2015 \$000
Loss for the year	(22,072)	(12,460)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign controlled entities	251	385
Total comprehensive loss for the year	(21,821)	(12,075)
Total comprehensive loss for the year attributable to:		
Owners of the Company	(19,333)	(11,274)
Non-controlling interests	(2,488)	(801)
	(21,821)	(12,075)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 30 September 2016

	Notes	2016 \$000	2015 \$000
Assets			
Current assets			
Cash and cash equivalents	9	4,070	1,306
Other receivables	10	298	964
Other assets		104	165
Total current assets		4,472	2,435
Non-current assets			
Property, plant and equipment	12	588	2,011
Mineral exploration expenditure	13	587	9,158
Total non-current assets		1,175	11,169
Total assets		5,647	13,604
Liabilities			
Current liabilities			
Trade and other payables	14	2,777	3,937
Borrowings	15	-	1,132
Lease liabilities	16	30	516
Provisions	17	46	340
Total current liabilities		2,853	5,925
Non-current liabilities			
Other payables	14	243	-
Lease liabilities	16	9	2,332
Provisions	17	11	5
Total non-current liabilities		263	2,337
Total liabilities		3,116	8,262
NET ASSETS		2,531	5,342
Equity			
Issued capital	18(a)	108,360	91,433
Reserves	18(b)	(336)	1,192
Accumulated losses		(100,776)	(85,054)
Equity attributable to owners of the Company		7,248	7,571
Non-controlling interests		(4,717)	(2,229)
TOTAL EQUITY		2,531	5,342



Ryan Richard Mount
Director



Robert Barraket
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2016

	Share capital \$000	Foreign currency translation reserve \$000	Share- based payment reserve \$000	Accumulated losses \$000	Subtotal \$000	Non- controlling interests \$000	Total Equity \$000
At 1 October 2014	77,902	(1,215)	1,120	(73,395)	4,412	(1,428)	2,984
Loss for the year	–	–	–	(11,931)	(11,931)	(529)	(12,460)
Other comprehensive loss	–	385	–	272	657	(272)	385
Total comprehensive loss for the year	–	385	–	(11,659)	(11,274)	(801)	(12,075)
Transactions with owners in their capacity as owners							
Shares issued during the year	13,510	–	–	–	13,510	–	13,510
Prepayment for exercise of options	21	–	–	–	21	–	21
Share performance rights expense	–	–	395	–	395	–	395
Share option expense	–	–	507	–	507	–	507
Total transactions with owners and other transfers	13,531	–	902	–	14,433	–	14,433
As at 30 September 2015	91,433	(830) *	2,022 *	(85,054)	7,571	(2,229)	5,342
At 1 October 2015	91,433	(830) *	2,022 *	(85,054)	7,571	(2,229)	5,342
Loss for the year	–	–	–	(19,326)	(19,326)	(2,746)	(22,072)
Other comprehensive loss	–	(7)	–	–	(7)	258	251
Total comprehensive loss for the year	–	(7)	–	(19,326)	(19,333)	(2,488)	(21,821)
Transactions with owners in their capacity as owners							
Shares and options net of transaction costs	16,927	–	–	–	16,927	–	16,927
Share performance rights expense	–	–	351	–	351	–	351
Share based payments expense	–	–	1,732	–	1,732	–	1,732
Total transactions with owners and other transfers Others	16,927	–	2,083	–	19,010	–	19,010
Transfer to retained earnings from share-based payment reserve for lapsed options	–	–	(3,604)	3,604	–	–	–
Total other	–	–	(3,604)	3,604	–	–	–
As at 30 September 2016	108,360	(837) *	501 *	(100,776)	7,248	(4,717)	2,531

* These reserve accounts comprise the consolidated reserves of negative AU\$336,000 (2015: positive AU\$1,192,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2016

	Note	2016 \$000	2015 \$000
Cash flows from operating activities			
Loss before tax:		(22,072)	(12,460)
Adjustments for:			
Interest income		(21)	(12)
Depreciation and amortisation		284	326
Expense recognised in respect of shares issued in exchange for consulting services		–	10
Interest on lease liability		18	459
Impairment loss on assets		12,208	17
Share-based payment expense		2,083	902
Consultancy fees paid in shares in lieu of cash		628	–
Fair value (gains)/losses		(377)	86
Write-off of subsidiaries		–	133
Reversal of PAYE penalties		(743)	–
		(7,992)	(10,539)
Increase in other receivables		(70)	(354)
Decrease in prepayments		61	–
Increase in other payables		(218)	2,208
Increase in provisions		(281)	179
Cash used in operations		(8,500)	(8,506)
Interest received		21	12
Net cash flows from operating activities		(8,479)	(8,494)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(251)	(205)
Mineral exploration expenditure		(3,798)	(6,087)
Net cash flows used in investing activities		(4,049)	(6,292)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		15,134	7,920
Proceeds from borrowings		242	6,080
Repayment of borrowings		(79)	(226)
Net cash flows from financing activities		15,297	13,774
Net increase/(decrease) in cash and cash equivalents		2,769	(1,012)
Cash and cash equivalents at beginning of year		1,306	2,304
Effect of foreign exchange rate changes, net		(5)	14
Cash and cash equivalents at end of year		4,070	1,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

1. COMPANY INFORMATION

Axiom Mining Limited (the 'Company') is a limited liability company incorporated in Hong Kong.

Registered office: 2303-7 Dominion Centre, 43-59 Queen's Road East, Hong Kong. Registered office in Australia: Level 6, 15 Astor Terrace, Spring Hill QLD 4000, Australia.

Principal place of business: Upper Level, Solomon Post Haus, Mendana Avenue, Honiara, Solomon Islands.

The Company's shares are listed on the Australian Securities Exchange (ASX Code – AVQ)

The Company and its subsidiaries (the 'Group') are principally engaged in mineral exploration in Australia, Solomon Islands and Vietnam.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared under the going concern basis, notwithstanding that the Group incurred a net loss of AU\$22,072,000 during the year ended 30 September 2016 and reported net cash outflow from operating activities of AU\$8,479,000 for the year ended 30 September 2016. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future after taking into consideration the following:

- at 30 September 2016, the Group had cash and cash equivalents of \$4,070,000;
- the Company continues to have the ability to raise additional share capital by share placements, rights issues, or issue of convertible notes, if required;
- the Group has the ability to farm out all or part of its exploration projects;
- the Group has the ability to sell particular exploration projects; and
- the Group has the ability to renew pending exploration applications based on previous experience.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts and to provide for further liabilities which might arise and to reclassify non-current asset as current asset. These consolidated financial statements do not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

3.1 Statement of compliance

The consolidated financial statements and notes represent those of Axiom Mining Limited and the Controlled Entities (the 'Consolidated Group' or 'Group').

The financial statements were authorised for issue on 31 December 2016.

These general purpose consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRSs') (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ('HKASs') and Interpretations, and equivalent to International Financial Reporting Standards) issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The Group is a for-profit entity for financial reporting purposes. Material accounting policies adopted in the preparation of these consolidated financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. These consolidated financial statements are presented in Australian dollars ("AU\$")

3.2 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements, which are applicable to the Group.

Amendments to HKAS 19	<i>Defined benefit plans: Employee contributions</i>
Annual Improvements 2010-2012 Cyclea	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of the revised HKFRSs has had no financial impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

3.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following HKFRSs that have been issued but are not yet effective in these consolidated financial statements:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment⁴</i>
HKFRS 9	<i>Financial Instruments⁴</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁶</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception¹</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations¹</i>
HKFRS 14	<i>Regulatory Deferral Accounts²</i>
HKFRS 15	<i>Revenue from Contracts with Customers⁴</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15⁴</i>
HKFRS 16	<i>Leases⁵</i>
Amendments to HKAS 1	<i>Disclosure Initiative¹</i>
Amendments to HKAS 7	<i>Disclosure Initiative³</i>
Amendments to HKAS 12	<i>Deferred Tax: Recovery of Underlying Assets³</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization¹</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants¹</i>
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements¹</i>
Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of HKFRSs¹</i>

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after January 2018

⁵ Effective for annual periods beginning on or after January 2019

⁶ No mandatory effective date yet determined but available for early adoption

HKFRS 9: Financial Instruments and associated Amending Standards

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

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

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

HKFRS 15: Revenue from Contracts with Customers

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model.

Except for a limited number of exceptions, including leases, the new revenue model in HKFRS 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

To achieve this objective, HKFRS 15 provides the following five-step process:

- identify the contract(s) with a customer
- identify the performance obligations in the contract(s)
- determine the transaction price
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding Revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

3.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

HKFRS 16: Leases

When effective, this Standard will replace the current accounting requirements applicable to leases in HKAS 17: Leases and related Interpretations. HKFRS 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with HKAS 16: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of HKFRS 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with HKAS 8 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of HKFRS 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Axiom Mining Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities that the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 11.

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

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

(b) Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is re-measured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Fair value of assets and liabilities

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

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

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

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

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

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

(d) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost or revaluation less accumulated depreciation and impairment losses.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not exceed their recoverable amount at balance sheet date.

Changes arising on the revaluation of property, plant and equipment are generally dealt with in other comprehensive income and are accumulated separately in equity in the asset revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit in respect of that same asset had previously been charged to profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss in the period in which they arise. Any related revaluation surplus is transferred from the revaluation reserve to accumulated losses. Depreciation is calculated to write off the cost or revaluation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates used for this purpose are as follows:

- Plant and equipment 20% - 33%

Both the useful life of an asset and its residual value, if any, are reviewed annually, and adjusted if appropriate, at the end of each reporting period.

(e) Mineral exploration expenditure

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

Accumulated costs in relation to an abandoned area are written-off in full against profit or loss in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Mineral exploration expenditure (continued)

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

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

(f) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception: land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates that write-off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 4(d).

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(g) Impairment of assets

(i) Impairment of investments and other receivables

Investments in other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group regarding one or more of the following loss events:

- significant financial difficulty of the debtor
- a breach of contract, such as a default or delinquency in interest or principal payments
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets that are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(g) Impairment of assets (continued)

(i) Impairment of investments and other receivables (continued)

Impairment losses are written-off against the corresponding assets directly, except for impairment losses recognised in respect of other receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written-off against other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written-off directly are recognised in profit or loss.

(ii) Impairment of mineral exploration expenditure

The carrying amount of the mineral exploration expenditure is reviewed annually and adjusted for impairment whenever one of the following events or changes in circumstances indicates that the carrying amount may not be recoverable:

- The period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the mineral exploration expenditure is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

(iii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment
- investments in subsidiaries in the Parent Company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversal of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income tax

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

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

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

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

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. 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) a legally enforceable right of set-off exists; and (b) 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.

(i) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Note 4(g)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Other payables

Other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) Employee benefits

Salaries, annual bonuses, paid annual leave; contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is defined and the effect would be material, these amounts are stated at their present values. Superannuation is paid in accordance with applicable local government legislation.

Short-term employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other long-term employee benefits

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

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

(m) Share-based payments

The fair value of share options (including performance rights) granted to employees and others is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value of shares granted to service providers is recognised as an expense and classified by nature. The fair value is measured at grant date using the Black Scholes option pricing model, as appropriate, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares.

(n) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expenses. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Provided that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- Interest income is recognised as it accrues using the effective interest method
- Sundry income is recognised at the fair value of the consideration received or receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Australian dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Australian dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to.

(s) Segmental reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocated resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(t) Convertible notes

Convertible notes that do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see Note 4(u)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently re-measured in accordance with Note 4(u). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(u) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

5. SEGMENT INFORMATION

The Group's operations are predominately confined to mineral exploration within Australia, Solomon Islands and Vietnam.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the management team in assessing performance and determining the allocation of resources.

The operating segments are identified by management based on the manner in which the expenses are incurred and resources allocated. Discrete financial information about each of these operating segments is reported to the Board on a regular basis.

The reportable segments are based on aggregated operating segments determined by similarity of expenses, where expenses in the reportable segments exceed 10% of the total expenses for either the current and/or previous reporting period.

Business Segment	Australia		Solomon Islands		Vietnam		Consolidated	
	2016 \$,000	2015 \$,000	2016 \$,000	2015 \$,000	2016 \$,000	2015 \$,000	2016 \$,000	2015 \$,000
Segment revenue	39	12	–	7	–	–	39	19
Segment result	(4,468)	(10,158)	(6,407)	(2,618)	(143)	(55)	(11,018)	(12,831)
Reconciliation of Segment result to group net (loss) before tax:								
Intersegment elimination	–	–	–	–	–	–	1,413	1,378
Amounts not included in segment result but reviewed by the board:								
Depreciation/Amortisation	(71)	(66)	(210)	(255)	(2)	(5)	(283)	(326)
Impairment loss on assets	–		(12,208)	(17)	–	–	(12,208)	(17)
Finance Costs	34	(397)	(10)	(269)	–	–	24	(666)
Net loss before tax from Continuing operations	(4,505)	(10,621)	(18,835)	(3,159)	(145)	(60)	(22,072)	(12,462)
Segment assets	4,665	1,782	970	11,815	12	7	5,647	13,604
Segment liabilities	705	3,094	2,409	5,163	2	5	3,116	8,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

6. LOSS FOR THE YEAR

	2016 \$000	2015 \$000
Loss before income tax includes the following specific expenses:		
Auditors' remuneration	114	86
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 21(b) and (c)):		
Wages and salaries	1,513	1,563
Superannuation	156	111
	1,669	1,674
Administration and other comprises:		
Legal	579	2,474
Consultants	876	524
Travel	502	521
Other	1,175	2,867
	3,132	6,386
Minimum lease payments on operating leases	186	50

7. TAX EXPENSE

	2016 \$000	2015 \$000
The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2015: 30%)	(6,622)	(3,738)
Add:		
Tax effect of:		
Non-allowable items		
– share options expensed during year	625	271
– overseas exploration and other expenditure	189	705
– loss on disposal of subsidiary	–	40
– impairment loss on mineral exploration expenditure	3,662	5
Less:		
– difference in overseas tax rate	7	5
– tax losses and deferred tax not recognised	2,139	2,712
Income tax attributable to entity	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share of 6.57 cents per share (2015: 5.0 cents per share) is based on the loss attributable to owners of the Company of \$19,326,000 (2015: \$11,931,000) and the weighted average number of 294,041,848 ordinary shares (2015: 239,114,160 shares) on issue during the year, calculated as follows:

	Consolidated Group	
	2016 \$000	2015 \$000
Reconciliation of earnings to profit or loss:		
Loss for the year	(22,072)	(12,460)
Loss attributable to non-controlling equity interest	(2,746)	(529)
Loss used to calculate basic EPS	(19,326)	(11,931)
Loss used in the calculation of dilutive EPS	(19,326)	(11,931)

Weighted average number of ordinary shares

	2016 No. of shares	2015 No. of shares
Issued ordinary shares at 1 October (Note 18(a))	264,676,635	3,289,552,750
Effect of share consolidation*	–	(3,070,251,090)
Effect of placement of shares	17,879,178	4,773,088
Effect of shares issued as payment for services	2,223,117	210,069
Effect of issue of shares to employees	113,395	–
Effect of issues under exercise of options	215,571	1,344,388
Effect of issues under share purchase plan and conversion of convertible notes	8,933,952	13,484,955
Weighted average number of ordinary shares at 30 September	294,041,848	239,114,160

* A share consolidation of Axiom's capital, on the basis of one share for every fifteen shares was completed on 14 April 2015.

(b) Diluted loss per share

The diluted loss per share is the same as the basic loss per share as the exercise of the share option and the conversion of convertible notes would result in a decrease in loss per share.

9. CASH AND CASH EQUIVALENTS

	2016 \$000	2015 \$000
Cash at bank and on hand	1,099	1,198
Short-term bank/Fund deposits	2,855	34
Funds held in trusts	116	74
	4,070	1,306

The effective interest rate on short-term bank deposits was 3.76% (2015: 2.15%). These deposits have an average maturity of 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

10. OTHER RECEIVABLES

	2016 \$000	2015 \$000
Other receivables	298	964

Terms and conditions

Other receivables comprise sundry debtors.

Sundry debtors are non-interest bearing and have repayment terms between 30 to 90 days.

11. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation	Ownership interest held by the Group		Proportion of Non-controlling interests	
		2016 %	2015 %	2016 %	2015 %
Axiom Vietnam JSC*	Vietnam	90	90	10	10
Axiom Nickel Pty Ltd	Australia	100	100	—	—
Axiom Nickel (SI) Ltd	Solomon Islands	100	100	—	—
Axiom KB Ltd	Solomon Islands	80	80	20	20
Azzu Mining Ltd	British Virgin Islands	100	100	—	—
Guadalcanal Resources Limited*	Solomon Islands	93	93	7	7
Laos Resources Ltd	British Virgin Islands	100	100	—	—
Ozmin Resources Pty Ltd	Australia	100	100	—	—
South Pacific Minerals Limited	Solomon Islands	100	100	—	—
Vietnam Resources Corporation Pty Ltd	Australia	100	100	—	—
Vietnam Resources Corporation (QB) Pty Ltd	Australia	100	100	—	—
VRC Quangtri Pty Ltd	Australia	100	100	—	—
Millungera Energy Pty Ltd	Australia	100	100	—	—
Vietnam Resources Corporation (VN Holdings) Pty Ltd	Australia	100	100	—	—

* The non-controlling interests of Axiom Vietnam JSC and Guadalcanal Resources Limited are not material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

11. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised Financial Information of Material Non-controlling Interest - Axiom KB Ltd

	2016 \$000	2015 \$000
Summarised Financial Position:		
Total Current Assets	116	952
Total Non-current Assets	522	7,072
Total Assets	638	8,024
Total Current Liabilities	1,219	1,777
Total Non-current Liabilities	23,128	17,520
Total Liabilities	24,347	19,297
Net Assets	(23,709)	(11,273)
Carrying amount of non-controlling interests	(4,742)	(2,255)
Summarised Financial Performance:		
Revenue	–	7
Loss after tax	(13,727)	(2,645)
Other comprehensive income after tax	–	–
Total Comprehensive loss	(13,727)	(2,645)
Loss attributable to non-controlling interests	(2,745)	(529)
Distributions paid to non-controlling interests	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land ¹ \$000	Leasehold improvements \$000	Plant & Equipment \$000	Total \$000
At 1 October 2014				
Cost	1,502	216	1,310	3,028
Accumulated depreciation and amortisation	(138)	(216)	(663)	(1,017)
	1,364	–	647	2,011
Cost				
At 1 October 2014	1,502	190	990	2,682
Additions	–	–	187	187
Disposals	–	–	–	–
Exchange realignment	–	26	133	159
At 30 September 2015	1,502	216	1,310	3,028
Accumulated depreciation and amortisation				
At 1 October 2014	(108)	(148)	(367)	(623)
Disposals	–	–	–	–
Depreciation and amortisation charged	(38)	(44)	(244)	(326)
Exchange realignment	8	(24)	(52)	(68)
At 30 September 2015	(138)	(216)	(663)	(1,017)
Net carrying amount at 30 September 2015	1,364	–	647	2,011
Cost				
At 1 October 2015	1,502	216	1,310	3,028
Additions	–	16	230	246
Disposals	–	–	(1)	(1)
Exchange realignment	–	(11)	(65)	(76)
At 30 September 2016	1,502	221	1,474	3,197
Impairment	(1,351)	–	–	(1,351)
Accumulated depreciation and amortisation				
At 1 October 2015	(138)	(216)	(663)	(1,017)
Depreciation and amortisation charged	(10)	(3)	(271)	(284)
Exchange realignment	(3)	11	35	43
At 30 September 2016	(151)	(208)	(899)	(1,258)
Net carrying amount at 30 September 2016	–	13	575	588
At 30 September 2016				
Cost	1,502	221	1,474	3,197
Accumulated depreciation and amortisation	(151)	(208)	(899)	(1,258)
Impairment	(1,351)	–	–	(1,351)
Net carrying amount at 30 September 2015	–	13	575	588

¹ Leasehold land as at 30 September 2015 included a long term lease over land on Santa Isabel Island in the Solomon Islands (refer Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

13. MINERAL EXPLORATION EXPENDITURE

Exploration, evaluation and development costs carried forward in respect of mining areas of interest:

	2016 \$000	2015 \$000
Carrying amount at 1 October 2015	9,158	2,472
Exploration costs	4,218	7,044
Less: Exploration costs expensed	(424)	(471)
Exchange alignment	(157)	130
Impairment loss on mineral exploration expenditure	(12,208)	(17)
Carrying amount at 30 September 2016	587	9,158

Determining the recoverability of mineral exploration expenditure capitalised in accordance with the Group's accounting policy (see Note 4(g)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective exploration right will be achieved. During the period, an impairment charge was made to capitalised exploration expenditure in accordance with the Group's accounting policy (see Note 4(g)) to its recoverable amount.

During the year the Company has spent less than the annual expenditure commitment under the amalgamated expenditure arrangement. However, the Company expects to meet any shortfall in this arrangement in future periods.

The Company is in process of renewing its Prospecting Licence in the West Guadalcanal area, and has re-applied for the Prospecting Licence in Kolosori area in Solomon Islands.

The carrying value of Kolosori and West Guadalcanal Project as at 30 September 2016 has been fully impaired.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and commercial exploitation of the tenements.

14. TRADE AND OTHER PAYABLES

Current	2016 \$000	2015 \$000
Trade payables	1,443	2,362
Other payables and accruals	1,334	1,575
	2,777	3,937

The trade payables are non-interest-bearing and are normally settled within 60 days. They include various amounts currently in dispute by the Company.

The other payables are potentially expected to be settled within one year, or are repayable on demand.

Non-Current	2016 \$000	2015 \$000
Other payables and accruals	243	–

The other payables are non-interest-bearing and will be settled within 24 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

15. BORROWINGS

	2016 \$000	2015 \$000
Convertible Notes (includes embedded derivative component)	–	1,132

On 22 May 2015, the Company raised \$1 million through the issue of six Convertible Notes, pursuant to a number of Convertible Note Agreements.

The Convertible Notes were issued on the following terms:

- each Convertible Note has a term of 18 months and can be converted at any time by the Noteholder
- a coupon rate of 8% per annum applies to the Convertible Notes, which is quarterly
- a conversion price of \$0.30 applies to each Convertible Note; and
- for every \$5.00 worth of Convertible Notes, the Noteholder will be entitled to 10 free attaching Options, with an exercise price of \$0.30, expiring 12 months from the date of issue.
- the Convertible Note agreements contained anti-dilution clauses to set discounted exercise prices in the event the Company issued more equity.

One Convertible Note with face value of \$100,000 was converted on 9 June 2015 at \$0.30 cents with issue of 333,333 shares. The remaining five Notes with a face value of \$900,000 were converted on or by the 31 July 2016 at a price of \$0.18 cents.

16. CAPITALISED LEASE LIABILITIES

In February 2016, the Group through its subsidiary Axiom Nickel (SI) Limited acquired a motor vehicle through a Finance lease agreement over 24 months.

The Group through its subsidiary Axiom KB Limited has also previously entered into a long term lease agreement (50 years) over Kolosori land on Santa Isabel Island in the Solomon Islands. However, in March 2016, the Court of Appeal in Solomon Islands has set aside this lease. The lease liability has now been reversed. As at 30 September 2016, the Group had obligations under finance leases as follows:

	2016		2015	
	Present value of the minimum lease payments \$000	Total minimum lease payments \$000	Present value of the minimum lease payments \$000	Total minimum lease payments \$000
Within one year	30	33	516	596
After one year but within five years	9	9	375	794
After five years	–	–	1,957	7,993
	9	9	2,332	8,787
	39	42	2,848	9,383
Less: total interest expenses	–	(2)	–	(6,535)
	39	40	2,848	2,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

17. PROVISIONS

	2016 \$000	2015 \$000
Current		
Employee benefits payable	46	340
Non-Current		
Employee benefits payable	11	5

The employee benefits relate to leave provisions and is presented as current as it is expected to be settled within 12 months.

The employee benefits relate to long service leave provisions not due for settlement within the next 12 months.

18. CAPITAL AND RESERVES

a) Authorised and issued share capital

	2016 \$000	2015 \$000
Issued and fully paid		
337,392,208* (2015: 264,676,635) ordinary shares	108,360	91,433

	2016		2015	
	Number of shares	\$000	Number of shares	\$000
Movements in issued shares:				
Balance at 1 October	264,676,635	91,701	3,289,552,750	77,902
Issue of new shares				
Effect of share consolidation*	–	–	(3,070,251,090)	–
Share placement issue**	48,838,384	10,705**	21,299,632	7,176
Shares issued as payment for services and interest	2,733,032	878	357,643	70
Shares issued to employees	225,001	52	–	–
Exercise of options	263,095	62	3,526,558	882
Shares issued under agreement	–	–	–	–
Shares issued on conversion of convertible notes	20,656,061	5,753	20,191,142	5,650
	337,392,208	109,151	264,676,635	91,680
Less: Transaction costs arising from share issues	–	(791)	–	(268)
Options exercised during the year and paid but shares not allotted until after 30 September 2015	–	–	–	21
Balance at 30 September	337,392,208	108,360	264,676,635	91,433

* A share consolidation of Axiom's capital, on the basis of one share for every fifteen shares was completed on 14 April 2015.

** Included in the value of issued share capital are free attaching options to private placement shown in note18(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

18. CAPITAL AND RESERVES (CONTINUED)

b) Reserves

	2016 \$000	2015 \$000
Foreign currency translation reserve	(837)	(830)
Share-based payment reserve	501	2,022
	(336)	1,192

Nature and purpose of reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(q).

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise:

- The grant date fair value of performance rights issued to employees and directors.
- The grant date fair value of shares issued to employees.
- The grant date fair value of options issued to consultants.

c) Distributability of reserves. Distributability of reserves

At 30 September 2016, the aggregate amount of reserves available for distribution to shareholders of the Company was nil (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

18. CAPITAL AND RESERVES (CONTINUED)

d. Options

Details of the movements in options are as follows:

	Grant Date	Expiry Date	*No. of options outstanding as at 1/10/2015	Exercise price	Granted during the year	Exercised during the period	Expired during the year	No. of options outstanding as at 30/09/2015
Consultants	24/09/12	20/12/15	133,333	0.3000			133,333	
Options attached to private placement	04/03/13	15/02/16	1,666,667	0.3000			1,666,667	
Consultants	04/03/13	15/02/16	1,666,666	0.3000			1,666,666	
Consultants	10/02/14	10/02/17	883,333	0.2805				883,333
Options attached to convertible notes	02/06/15	31/05/16	2,000,000	0.3000			2,000,000	
Consultants	10/07/15	31/05/16	3,000,000	0.4000			3,000,000	
Consultants	10/07/15	31/05/16	4,500,000	0.5500			4,500,000	
Consultants	10/07/15	31/05/16	666,666	0.1750			666,666	
Consultants	10/07/15	31/05/16	400,000	0.3500			400,000	
Consultants	10/07/15	31/05/16	100,000	0.5000			100,000	
Options attached to private placement	16/10/15	31/03/16		0.3000	22,525,215	166,667	22,358,548	
Consultants	11/12/15	30/11/17		0.3000	1,333,000			1,333,000
Options attached to private placement	31/03/16	30/09/16	–	0.3000	22,358,548		22,358,548	
Consultants	31/03/16	30/03/18	–	0.4500	300,000			300,000
Options approved at AGM	29/04/16	31/03/17	–	0.4500	28,402,530	25,000		28,377,530
Consultants	28/04/16	20/04/17		0.2000	500,000			500,000
Options attached to private placement	12/05/16	30/03/26	–	0.3000	28,638,893			28,638,893
Options attached to private placement	12/05/16	30/03/26		0.4000	28,638,893			28,638,893
Options attached to private placement	12/05/16	12/05/16		0.5000	28,638,893			28,638,893
Options attached to private placement	12/05/16	30/03/26		0.6000	28,638,893			28,638,893
Options attached to private placement	10/06/16	30/03/26	–	0.3000	1,666,668			1,666,668
Options attached to private placement	10/06/16	30/03/26	–	0.4000	1,666,668			1,666,668
Options attached to private placement	10/06/16	30/03/26	–	0.5000	1,666,668			1,666,668
Options attached to private placement	10/06/16	30/03/26	–	0.6000	1,666,668			1,666,668
Options attached to private placement	04/08/16	28/07/18	–	0.4000	8,928,592			8,928,592
Options attached to private placement	04/08/16	30/11/27		0.3000	800,000			800,000
* Post consolidation			15,016,665		206,370,129	191,667	58,850,428	162,344,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

18. CAPITAL AND RESERVES (CONTINUED)

d) Options (continued)

The fair value of options granted is measured using the Black-Scholes option pricing model, as appropriate, based on various assumptions on volatility, option life, dividend yield and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair values of the share options at date of grant.

Key inputs used in the calculation of the value of options granted during the year ended 30 September 2016 are:

Grant date	Expiry date	Spot price \$	Volatility %	Risk free rate %
14 Dec 15	30 Nov 17	0.30	107	1.61
31 Mar 16	30 Mar 18	0.45	107	1.61
28 Apr 16	30 Apr 17	0.20	107	1.61
5 Aug 16	30 Nov 17	0.30	107	1.61
10 Jul 15	31 May 16	0.35	192	2.25

Expected volatility was determined based on historic volatility adjusted for any expected changes to future volatility based on publicly available information. All options granted during the year vested on grant date. None of the options issued have vesting conditions attached.

e) Performance rights

Details of the movements in rights granted are as follows:

	No of rights outstanding as at 1 October 2015	Granted during the year	Exercised during the year	Lapsed during the year	No. of rights outstanding as at 30 September 2016
Stephen Ray Williams	666,666 ⁽¹⁾	–	–	(666,666)	–
Ryan Richard Mount	9,600,000	–	–	–	9,600,000
Jeremy Gray	150,000	250,000	–	–	400,000
Robert Barraket	–	500,000	–	–	500,000
	10,416,666	750,000	–	(666,666)	10,500,000

⁽¹⁾ The VWAP hurdles relating to the 666,666 Rights were not met by 21 October 2015 and have lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

19. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

20. COMMITMENTS

a. Expenditure commitments

Estimated capital expenditure required to maintain tenements by the balance sheet date, but not provided for, are payable as follows:

	2016 \$000	2015 \$000
Within one year	565	750
After one year but within five years	480	1,571
	1,045	2,321

These commitments may also be achieved by seeking exemptions, relinquishment or by joint venture arrangements. During the year the Company has spent less than the annual expenditure commitment under the amalgamated expenditure arrangement. However, the Company expects to meet any shortfall in this arrangement in future periods.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and commercial exploitation of the tenements.

b. Operating lease commitments

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases are negotiated for terms up to five years.

At 30 September 2016, the Group has total future minimum lease payments under operating leases falling due as follows:

	2016 \$000	2015 \$000
Within one year	186	50
After one year but within five years	498	–
	684	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

21. RELATED PARTIES

a) Transactions with related parties

Robert Barraket is a partner of Barraket Stanton Lawyers. During the year \$58,393 (2015 \$0) (exclusive of GST) was paid to Barraket Stanton Lawyers for legal services on normal commercial terms.

Stephen Ray Williams is a consultant to Kemp Strang Lawyers. Mr. Williams is not a partner of Kemp Strang Lawyers. During the year \$154,673 (2015 \$132,550) (exclusive of GST) was paid to Kemp Strang Lawyers for legal services on normal commercial terms.

b) Director remuneration summary

Directors' remuneration disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 \$000	2015 \$000
Short term employee benefits:		
Salaries	157	61
Post-employment benefits		
Superannuation	8	5
Other benefits		
Share-based payments - performance rights *	81	27
Total remuneration	246	93

c) KPM remuneration summary

	2016 \$000	2015 \$000
Short term employee benefits:		
Salaries	1,475	1,160
Non-monetary benefits	7	176
Total short-term benefits	1,482	1,336
Post-employment benefits		
Superannuation	118	96
Other benefits		
Share-based payments - performance rights *	271	368
Total remuneration	1,871	1,800

* Performance rights were granted in April 2013 and October 2015 following approval by shareholders at the Annual General Meeting held on 22 April 2013. The performance rights are charged to expense over the life of the rights. The expense in relation to the performance rights is calculated as fair value using the Black-Scholes model.

Performance rights issued will automatically vest into fully paid ordinary shares upon specific market hurdle conditions being achieved.

The amounts that appear are amounts required to be expensed by the Company in respect of the allocation of long term incentives. Whether or not these performance rights are received will depend on achieving appropriate vesting conditions as discussed above. No performance rights were exercised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rates and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group are described below and are limited by the Group's financial management policies and practices described below.

a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 14 to 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value that can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

The Group manages its credit risk associated with funds on deposit and cash at bank by only dealing with reputable financial institutions. At year end the Company has one material exposure of \$1,096,000 (2015: \$1,094,000) to the Australia and New Zealand Banking Group Limited relating to funds on deposit and cash at bank and \$2,721,000 material exposure relating to funds held by Yellow Brick Road Smart Money Account.

b) Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities
- maintaining a reputable credit profile
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent Company's Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

c. Interest rate risk

The Group's exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities both recognised and unrecognised at the balance sheet date, are as follows:

Financial instruments	Interest bearing		Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 %	2015 %
(i) Financial assets								
Cash ¹ and cash equivalent								
Other receivables and	4,070	1,306	–	–	4,070	1,306	2.05	2.5
Other assets	–	–	298	1,129	298	1,129	–	–
Total financial assets	4,070	1,306	298	1,129	4,368	2,435		
(ii) Financial liabilities								
Other payables	–	–	3,020	3,937	3,020	3,937	–	–
Borrowings – Convertible notes ²	–	1,132	–	–	–	1,132	–	8.0
Capitalised lease liabilities ²	39	2,848	–	–	39	2,848	8.0	10.0
Provisions	–	–	57	345	57	345	–	–
Total financial liabilities	39	3,980	3,077	4,282	3,116	8,262		

¹ At floating interest rates

² At fixed interest rates

The Group is not exposed to significant risk from interest rate sensitivity.

d. Currency risk

Functional currency of entity	AUD	SBD	VND	Total AUD
2016				
Australian Dollar	3,625			3,625
Solomon Islander Dollar		(2,277)		(2,277)
Vietnamese Dong			11	11
Statement of financial position exposure	3,625	(2,277)	11	1,359
2015				
Australian Dollar	(1,687)			(1,687)
Solomon Islander Dollar		(4,142)		(4,142)
Vietnamese Dong			1	1
Statement of financial position exposure	(1,687)	(4,142)	1	(5,828)

If the Solomon Islander Dollar and the Vietnamese Dong were to firm against the Australian dollar by 5% the Group loss would increase by \$996,000. If Solomon Islander Dollar and the Vietnamese Dong were to weaken against the Australian dollar by 5% the Group loss would reduce by \$901,000.

e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Following the judgement by the Solomon Islands Court of Appeal on the 21 March 2016 where Axiom KB Limited was ordered to pay the legal costs of the land appellants that appealed the decision of the High Court of Solomon Island. At this stage, the decision on the obligation of payment for the legal costs has not been determined by the Court of appeal.

24. SUBSEQUENT EVENTS

There are no other matters or circumstances have arisen since 30 September 2016 that significantly affected or could significantly affect the operations of the Consolidated Group in future years.

25. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

a) Impairment of non-financial assets

The Group tests at least annually whether other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset of a cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the presentation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenue and operating margin, effective tax rates, growth rates and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

b) Impairment of non-financial assets

The Group tests at least annually whether other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset of a cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the presentation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenue and operating margin, effective tax rates, growth rates and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

c) Useful lives of property, plant and equipment

The Directors determine the estimated useful lives and residual values for its property, plant and equipment. The Directors revise the depreciation charge when useful lives are different from previous estimates. Obsolete or non-strategic assets, which have been abandoned or sold, shall be written-off or written-down.

d) Income tax

The Group is subject to income tax in a number of jurisdictions. Significant judgement is required in determining the provision for income tax for each entity in the Group. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

26. FAIR VALUE

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Embedded derivative liability (at fair value);

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

Fair Value Hierarchy

HKFRS 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Company's embedded derivative liabilities are valued using Level 2, as follows:

	Note	2016 \$000	2015 \$000
Financial liabilities			
– Embedded derivative liability (fair value)	15	–	581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 AU\$000	2015 AU\$000
Assets		
Current assets		
Cash and cash equivalents	4,040	1,170
Prepayment and other receivables	236	189
Amounts due from subsidiaries	1,302	6,747
Total current assets	5,578	8,106
Non-current assets		
Investments in subsidiaries	-	-
Property, plant and equipment	110	150
Total non-current assets	110	150
Total assets	5,688	8,256
Liabilities		
Current liabilities		
Trade and other payables	650	1,767
Borrowings	-	1,132
Provisions	37	156
Total current liabilities	687	3,055
Total liabilities	687	3,055
Net current assets	4,891	5,051
NET ASSETS	5,001	5,201
Equity		
Share capital	108,360	91,433
Reserves (note)	(431)	1,089
Accumulated losses (note)	(102,928)	(87,321)
TOTAL EQUITY	5,001	5,201



Ryan Richard Mount
Director



Robert Barraket
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves and accumulated losses is as follows:

	Foreign currency translation reserve AU\$000	Share-based payment reserve AU\$000	Accumulated losses AU\$000	Total Equity AU\$000
At 1 October 2014	(933)	1,120	(76,931)	1,158
Loss for the year and total comprehensive loss for the year	–	–	(10,390)	(10,390)
Transactions with owners in their capacity as owners				
Issue of shares	–	–	–	13,510
Prepayment for exercise of options	–	–	–	21
Equity-settled share option arrangements	–	902	–	902
Total transactions with owners and other transfers	–	902	–	14,433
At 1 October 2015	(933)	2,022	(87,321)	5,201
Loss for the year and total comprehensive loss for the year	–	–	(19,176)	(19,176)
Transactions with owners in their capacity as owners				
Issue of shares	–	–	–	16,927
Transfer Share based payment Reserve	–	(3,603)	3,603	–
Transfer from Retained earnings	–	–	(34)	(34)
Equity-settled share option arrangements	–	2,083	–	2,083
Total transactions with owners and other transfers	–	(1,520)	3,569	18,976
As at 30 September 2016	(933)	502	(102,928)	5,001

The share based payment reserve comprised the fair value of share options granted which are yet to exercised, as further explained in the accounting policy for share-based payments in Note 4(m) to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The Company did not issue any shares as collateral security on issue of Convertible Notes during the year (2015: Nil).

Commitments for the acquisition of property, plant and equipment by the parent entity

Nil (2015: nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 December 2016.

ASX ADDITIONAL INFORMATION

Top 20 holders of CHESS DEPOSITARY INTERESTS as at 8 Feb 2016

Holder Name	Balance at 08/02/2017	%
ACK PTY LTD	22,222,223	6.58
ANITUA LIMITED	16,666,666	4.94
NATIONAL NOMINEES LIMITED	15,051,334	4.46
INCOR HOLDINGS PLC	14,749,032	4.37
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,402,860	1.90
CITICORP NOMINEES PTY LIMITED	4,906,494	1.45
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,608,481	1.36
ONE MANAGED INVESTMENT FUNDS LIMITED	3,385,851	1.00
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,949,391	0.87
MR DAVID FINDLAY	2,901,076	0.86
PAYNEHAM INVESTMENTS PTY LTD	2,606,669	0.77
TPC PTY LTD	2,576,917	0.76
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,488,817	0.74
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	2,404,276	0.71
MR BRADLEY GAVIN DOWNES	2,117,466	0.63
ADRISA BUILDERS PTY LTD	1,600,000	0.47
RAPAKI PTY LTD	1,600,000	0.47
PORT BARRACK PTY LTD	1,405,000	0.42
MR MATTHEW ALLAN CHUNG	1,403,900	0.42
VLADORA PTY LIMITED	1,200,000	0.36
Total	113,246,453	33.54
Issued Capital	337,631,098	

Axiom Mining Limited is incorporated in Hong Kong and is governed by Hong Kong Companies Ordinance with respect to its shareholdings. Accordingly, there are no limitations on the number of securities that may be held by a shareholder, nor are there any equivalent provisions to the takeovers provisions in Chapter 6 of the Australian *Corporations Act 2001* (Cth).

ASX ADDITIONAL INFORMATION

CHESS DEPOSITARY INTERESTS as of 8 Feb 2017*

Sector Holdings Ranges	Number of shareholders	Number of Shares	
	Holders	Total Units	%
1-1,000	90	1,357	0.00
1,001-5,000	243	135,956	0.04
5,001-10,000	3,204	15,259,801	4.52
10,001-100,000	2,495	79,777,674	23.63
100,001 and over	473	242,456,310	71.81
Totals	6,505	337,631,098	100.00

Distribution of marketable parcels*

Holdings Ranges	Holders	Total Units	%
Unmarketable (1-3226)	1,542	2,873,038	0.01
Marketable (<3226)	4,963	334,758,060	0.99
Holdings Ranges	6,505	337,631,098	1.00

Performance rights*

Holdings Ranges	Holders	Total Units	%
1-1,000	0	0.00	0
1,001-5,000	0	0.00	0
5,001-10,000	0	0.00	0
10,001-100,000	0	0.00	0
100,001- and over	2	900,000	100
Totals	2	900,000	100

Unlisted options*

Holdings Ranges	Holders	Total Units	%
1-1,000	8	2,566	0.000
1,001-5,000	0	0	0.000
5,001-10,000	46	248,213	0.153
10,001-100,000	414	12,897,405	7.944
100,001- and over	83	36,964,412	22.769
Totals	551	162,344,699	100.000

* As at 8 February 2017

ASX ADDITIONAL INFORMATION

Shareholder information

Voting rights

The voting rights attaching to each class of equity securities are set out below:

- a. Ordinary shares
On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll, each share shall have one vote.
- b. Options
No voting rights.

Securities exchange listing

The shares of the Company are listed under the symbol AVQ on the Australian Securities Exchange Limited (ASX).

Shareholder enquiries

Shareholders with queries about their shareholdings should contact the Company's share registry as follows:

Computershare

117 Victoria St
West End QLD 4101 Australia

Phone: +61 7 3237 2100

Fax: +61 7 3237 2152

Email: web.queries@computershare.com.au

Change of address

Issuer sponsored shareholders should notify the share registry in writing immediately upon any change in their address quoting their Securityholder Reference Number. This can be done by phoning the share registry, by writing to them, or through their web portal at www.boardroomlimited.com.au. Changes in addresses for broker sponsored holders should be directed to the sponsoring brokers with the appropriate Holder Identification Number.

Annual report

The Company's annual report is posted on our website www.axiom-mining.com immediately upon release to ASX. The Company encourages shareholders to register to receive the annual report electronically.

Consolidation of multiple shareholdings

If you have multiple shareholding accounts that you wish to consolidate into a single account, please advise the share registry in writing. If your holdings are broker sponsored, please contact the sponsoring broker directly.

Register for email alerts

Please note, that as a shareholder you can register through the Email Alerts section of our web site to receive electronic communications from the Company. To do so, you should select the Contact Us tab on our web site at www.axiom-mining.com.

Registration will provide you with an email alert with a link to www.axiom-mining.com each time a relevant announcement is made by the Company and posted on this site.

At www.axiom-mining.com shareholders can view:

- annual and half-year reports
- quarterly reports
- ASX announcements
- Axiom share price information
- general shareholder information.

CORPORATE DIRECTORY

Directors

Mr Robert Barraket

(Non-Executive Chairman)

Mr Ryan Mount

(Managing Director – Chief Executive Officer)

Mr Jeremy Gray

(Non-Executive Director)

Company Secretary

Boacoh Secretarial Limited

2303-4 Dominion Centre
43-49 Queens Road East
Hong Kong

Local Agent

Mr David Kinsman

Level 6, 15 Astor Terrace
Spring Hill QLD, 4000 Australia

Registered Office Australia

Level 6, 15 Astor Terrace
Spring Hill QLD 4000
Australia

ARBN: 119 698 770

ABN: 81 119 698 770

Phone: +61 7 3319 4100

Fax: +61 7 3839 4386

Email: contact@axiom-mining.com

Registered Office Hong Kong

C/- Boase Cohen & Collins Solicitors

2303-7 Dominion Centre
43-59 Queens Road East
Hong Kong

Auditors Hong Kong

Zenith CPA Limited

10/F China Hong Kong Tower
8-12 Hennessy Road
Wanchai
Hong Kong

Share Registry

Computershare

117 Victoria St
West End QLD 4101 Australia

Phone: +61 7 3237 2100

Fax: +61 7 3237 2152

Email: web.queries@computershare.com.au

ASX Code: AVQ



Axiom Mining Limited

Mendana Ave, Honiara (PO Box 845), Solomon Island
Level 6, 15 Astor Terrace, Spring Hill, Brisbane QLD 4000, Australia
t +61 7 3319 4100 **e** contact@axiom-mining.com

axiom-mining.com

Created in partnership with:

www.leadcreative_space