

Axiom Mining Limited
ARBN 81 119 698 770

Interim Financial Report
for the half-year ended 31 March 2018

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 September 2017 and any public announcements made by Axiom Mining Limited ('Axiom' or the 'Company') during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

All amounts in this interim financial report are in Australian dollars unless stated otherwise.

Axiom Mining Limited

Directors' report

Your directors submit the financial report of the consolidated group for the half-year ended 31 March 2018.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Ryan R Mount	Executive Director and Chief Executive Officer
Mr Jeremy R Gray	Non-Executive Director
Mr Robert L Barraket	Non-Executive Director and Chairman

Review of operations

Solomon Islands

Isabel Nickel Project

San Jorge

Axiom Mining Limited ('Axiom' or 'the Company') submitted an application for a mining lease (MLA) over the San Jorge tenement in December 2016 which was conditionally approved by the Solomon Islands Government's ('SIG') Ministry of Mines' Minerals Board, subject to formal endorsement by SIG. In addition, the Company was granted Development Consent by SIG's Ministry of Environment following the approval of Axiom's Environmental Impact Statement for its proposed mining operations on the San Jorge nickel and cobalt deposit.

The Company had continued its pre-development activities under the San Jorge Prospecting Licence, pending the approval of its MLA, which was granted to the Company in March 2015.

Kolosori

Axiom received approval from the Minerals Board for its Prospecting Licence Application ('PLA') over Kolosori. Subsequent to the approval of this PLA, a Letter of Intent ('LOI') was issued to the Company by the Ministry of Mines which provides Axiom with exclusive rights to negotiate and obtain Surface Access Agreements with landowners.

West Guadalcanal Project

The West Guadalcanal project is adjacent to known gold - silver (Au – Ag) deposits, including the Gold Ridge Mine and boasts potential for epithermal Au and porphyry Cu-Au style deposits that lie within a 10 km long carbonate base metal gold epithermal corridor.

The Company has completed early stage field exploration comprising geological mapping and sampling which revealed a 300 m by 700 m mineralised zone, coincident with the wide geophysical (magnetics) and radiometric (potassium) anomalies. This area, known as Humvee, is now the current focus of the exploration within this tenement.

Axiom Mining Limited

Directors' report

Corporate

On 16 June 2017, the Company announced it had entered into a Convertible Note Agreement for an initial AU\$4 million in funding from MEF I.L.P ('Magna') through the issue of Convertible Notes.

On 25 October 2017, the Company further announced that upon the satisfaction of certain conditions, which included Magna conducting an in-country and project site due diligence in the Solomon Islands varied the Convertible Note Agreement with a side Letter Agreement to allow a further AU\$5 million in additional funding under Tranche C.

Tranche C funding was available in two instalments, made up of AU\$2 million in available funding drawn down in early November 2017 and a further AU\$3 million in available funding, of which AU\$2.4 million had been drawn down as at 31 March 2018.

Axiom's Annual General Meeting ('AGM') was held on 15 February 2018 and the Company announced that all resolutions put to the AGM of the Company were passed.

Rounding of amounts

The consolidated group has applied the relief available to it in ASIC Corporations Instrument 2016/191 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars.

Auditor's independence declaration

The lead auditor's independence declaration under S 307C of the *Corporations Act 2001* is set out on the following page for the half-year ended 31 March 2018.

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



Director

Robert Barraket

Dated this 14th day of June 2018

**AXIOM MINING LIMITED
ARBN 81 119 698 770
AND ITS CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AXIOM MINING LIMITED**

SYDNEY

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2 Park Street
Sydney NSW 2000
Australia

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I declare that, to the best of my knowledge and belief, during the half-year ended 31 March 2018 there have been no contraventions of:

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



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 14 June 2018

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Axiom Mining Limited
Interim consolidated statement of profit or loss and other comprehensive income
As at 31 March 2018

	Note	Consolidated	
		Half-year ended 31 March 2018	Half-year ended 31 March 2017
		\$000	\$000
Interest income		4	14
Other income		40	47
Employee benefits expense		(1,442)	(1,577)
Depreciation and amortisation expense		(116)	(134)
Finance costs		(523)	(9)
Exploration costs		(42)	(12)
Legal expenses		(201)	(402)
Other expenses		(1,587)	(1,418)
Share based payments		(251)	-
Impairment loss on mineral exploration expenditure		-	-
Loss before income tax		(4,118)	(3,491)
Income tax expense		-	-
Loss for the period	2	(4,118)	(3,491)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions met:			
Exchange difference on translation of foreign operations		(138)	(54)
Other comprehensive income for the period		(138)	(54)
Total comprehensive loss for the period		(4,256)	(3,545)
Net loss attributable to:			
– members of the parent entity		(3,971)	(3,183)
– non-controlling interest		(147)	(308)
		(4,118)	(3,491)
Total comprehensive loss attributable to:			
– members of the parent entity		(4,109)	(3,237)
– non-controlling interest		(147)	(308)
		(4,256)	(3,545)
Loss per share			
From continuing operations:			
– basic loss per share (cents)		(1.08)	(1.10)
– diluted loss per share (cents)		(1.09)	(1.10)

The accompanying notes form part of these financial statements.

Axiom Mining Limited
Interim consolidated statement of financial position
As at 31 March 2018

		Consolidated	
		As at 31 March 2018 \$000	As at 30 September 2017 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,229	1,954
Trade and other receivables		226	500
Financial assets		130	-
Other assets		35	53
TOTAL CURRENT ASSETS		1,620	2,507
NON-CURRENT ASSETS			
Property, plant and equipment		572	362
Mineral exploration expenditure	5	5,636	4,747
TOTAL NON-CURRENT ASSETS		6,208	5,109
TOTAL ASSETS		7,828	7,616
LIABILITIES			
CURRENT LIABILITIES			
Trade payables		559	1,068
Other payables and accruals		932	1,178
Convertible notes		4,268	1,807
Lease liabilities		11	12
Provisions		176	124
TOTAL CURRENT LIABILITIES		5,946	4,189
NON-CURRENT LIABILITIES			
Lease liabilities		-	4
Provisions		11	13
TOTAL NON-CURRENT LIABILITIES		11	17
TOTAL LIABILITIES		5,957	(1,682)
NET ASSETS		1,871	3,410
EQUITY			
Issued capital	6	116,703	113,985
Reserves		(460)	(321)
Retained losses		(108,788)	(104,817)
Equity attributable to owners of the company		7,455	8,847
Non-controlling interests		(5,584)	(5,437)
TOTAL EQUITY		1,871	3,410

The accompanying notes form part of these financial statements.

Axiom Mining Limited
Interim consolidated statement of changes in equity
For the half-year ended 31 March 2018

	Share capital	Foreign currency translation reserve	Share-based payment reserve	Accumulated losses	Subtotal	Non- controlling interests	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 October 2016	108,360	(837)	501	(100,776)	7,248	(4,717)	2,531
Loss for the half-year	-	-	-	(3,183)	(3,183)	(308)	(3,491)
Other comprehensive loss	-	(54)	-	-	(54)	-	(54)
Total comprehensive loss for the half-year	-	(54)	-	(3,183)	(3,238)	(308)	(3,545)
Transactions with owners in their capacity as owners							
Shares issued during the half-year	1,528	-	-	-	1,528	-	1,528
Transfer to retained earnings from share-based payment reserve for lapsed options	-	-	(77)	77	-	-	-
Total transactions with owners and other transfers	1,528	-	(77)	77	1,528	-	1,528
As at 31 March 2017	109,888	(891)	424	(103,882)	5,539	(5,025)	514
At 1 October 2017	113,985	(848)	526	(104,817)	8,846	(5,437)	3,409
Loss for the half-year	-	-	-	(3,971)	(3,971)	(147)	(4,118)
Other comprehensive loss	-	(138)	-	-	(138)	-	(138)
Total comprehensive loss for the half-year	-	(138)	-	(3,971)	(4,109)	(147)	(4,256)
Transactions with owners in their capacity as owners							
Shares issued during the half-year	2,718	-	-	-	2,718	-	2,718
Total transactions with owners and other transfers	2,718	-	-	-	2,718	-	2,718
As at 31 March 2018	116,703	(986)	526	(108,788)	7,455	(5,584)	1,871

The accompanying notes form part of these financial statements.

Axiom Mining Limited
Interim consolidated statement of cash flows
For the half-year ended 31 March 2018

	Consolidated	
	Half-year ended 31 March 2018	Half-year ended 31 March 2017
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(3,907)	(3,559)
Interest received	4	14
Finance costs	(2)	(25)
Net cash used in by operating activities	(3,905)	(3,570)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(317)	(28)
Payments for mineral exploration expenditure	(899)	(1,014)
Net cash used in investing activities	(1,216)	(1,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of transaction costs	-	1,483
Proceeds from borrowings	4,400	-
Repayment of borrowings	(11)	(15)
Net cash provided by financing activities	4,389	1,468
Net decrease in cash held	(732)	(3,144)
Cash and cash equivalents at beginning of period	1,954	4,068
Effects of exchange rate changes on cash and cash equivalents	7	3
Cash and cash equivalents at end of period	1,229	927

The accompanying notes form part of these financial statements.

Axiom Mining Limited
Notes to the interim consolidated financial statements
For the half-year ended 31 March 2018

Note 1: Summary of significant accounting policies

Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 31 March 2018 has been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Axiom Mining Limited and its controlled entities (referred to as the 'consolidated group' or 'group'). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the group for the year ended 30 September 2017, and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements.

These interim financial statements were authorised for issue on 14 June 2018.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The group has considered the implications of new or amended accounting standards and has determined that their application to the financial statements is either not relevant or not material.

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. 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.

Axiom Mining Limited
Notes to the interim consolidated financial statements
For the half-year ended 31 March 2018

Note 1: Summary of significant accounting policies (*continued*)

Going concern

The consolidated group has recorded a net loss of \$4.1 million for the half-year ended 31 March 2018, had net cash outflows from operations of \$3.9 million for the half-year ended 31 March 2018 and currently has no ongoing source of operating income. At 31 March 2018 the consolidated group had net assets of \$1.87 million and the working capital deficiency was \$4.33 million.

The financial report has been prepared on a going concern basis that assumes the realisation of assets and extinguishment of liabilities in the normal course of business and at the amounts stated in the financial statements.

The directors believe the going concern basis is appropriate for the following reasons:

- at 31 March 2018 the consolidated group had cash and cash equivalents of \$1,229,000
- an undrawn balance of \$600,000 relating to Tranche C funding available under the Convertible Note Agreement with Magna
- the ability to raise additional share capital by share placements, options, convertible notes, or rights issue if required
- the ability to farm out all or part of its exploration projects
- the ability to sell particular exploration projects.

Accordingly, the directors are confident in the ability of the group and the company to successfully secure sufficient cash inflows to enable it to continue as a going concern and that it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

Axiom Mining Limited
Notes to the interim consolidated financial statements
For the half-year ended 31 March 2018

Note 2: Loss for the period

	Consolidated	
	Half-year ended 31 March 2018	Half-year ended 31 March 2017
	\$000	\$000
<hr/>		
a. Significant items		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Share based payments	(251)	-
<hr/>		

Note 3: Operating segments

The group's operations are predominately confined to mineral exploration and development within the Solomon Islands and Australia. The group retains a small presence in 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.

Axiom Mining Limited
Notes to the interim consolidated financial statements
For the half-year ended 31 March 2018

Note 3: Operating segments (Continued)

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.

	Australia		Solomon Islands		Vietnam		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Segment revenue	43	61	-	-	1	-	44	61
Segment result (loss)	(2,326)	(1,381)	(1,190)	(1,991)	(7)	(37)	(3,523)	(3,409)
Reconciliation of Segment result to group net loss before tax:								
Amounts not included in segment result but reviewed by the board:								
Depreciation/amortisation	(17)	(30)	(99)	(104)	-	-	(116)	(134)
Unallocated items:								
Finance costs	(523)	1	-	(10)	-	-	(523)	(9)
Net loss before tax from Continuing operations	(2,823)	(1,349)	(1,289)	(2,105)	(6)	(37)	(4,118)	(3,491)
Segment assets	1,721	1,671	6,094	1,983	13	12	7,828	3,667
Segment liabilities	4,821	824	1,134	2,327	2	-	5,957	3,152

Note 4: Contingent assets and contingent liabilities

Contingent assets

As at the date of this report there are no contingent assets.

Contingent liabilities

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

Axiom Mining Limited
Notes to the interim consolidated financial statements
For the half-year ended 31 March 2018

Note 5: Exploration and evaluation expenditure

	Consolidated	
	Half-year ended 31 March 2018	As at 30 September 2017
	\$000	\$000
Opening balance	4,747	587
Exploration costs	899	1,343
Less: exploration costs expensed	(42)	31
Exchange alignment	32	(31)
Impairment loss on mineral exploration	-	2,817
Closing balance	5,636	4,747

Note 6: Contributed equity

	Consolidated	
	Half-year ended 31 March 2018	As at 30 September 2017
	\$000	\$000
Issued and fully paid		
396,494,814 (2017: 376,854,966) ordinary shares	116,703	113,985

	31 March 2018		30 September 2017	
	Number of shares	\$000	Number of shares	\$000
Movements in issued shares:				
Balance at 1 October	376,854,966	113,985	337,392,208	108,360
Issue of new shares				
Share placement issue	-	-	17,947,509	2,958
Shares issued as payment for services and interest	1,114,285	156	988,890	130
Shares issued to employees	700,000	95	144,445	23
Shares issued on conversion of convertible notes	17,825,563	2,467	20,381,914	2,539
Less: Transaction costs arising from share issues	-	-	-	(25)
Balance	396,494,814	116,703	376,854,966	113,985

Axiom Mining Limited
Notes to the interim consolidated financial statements
For the half-year ended 31 March 2018

Note 7: Events after the end of the interim period

The Company announced on 23 May 2018, it had received Development Consent for the San Jorge nickel deposit following approval of its Environmental Impact Statement by SIG's Ministry of Environment.

Furthermore, on 4 June 2018, the Company announced that it had received the conditional approval of SIG's Ministry of Mines for its two mineral rights applications. These included the MLA for the San Jorge deposit and for a PL for Tenement D.

A third application has been fully approved by SIG, with an LOI for a PL over Kolosori issued to Axiom. The LOI allows Axiom the exclusive right to negotiate and obtain agreements from the landowners of Kolosori.

Other than the above, the directors are not aware of any other significant events since the end of the interim period.

Axiom Mining Limited
Directors' declaration

In accordance with a resolution of the directors of Axiom Mining Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 14, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 March 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Director

Robert Barraket

Dated this 14th day of June 2018

**AXIOM MINING LIMITED
ARBN 81 119 698 770
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
AXIOM MINING LIMITED**

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Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Axiom Mining Limited, which comprises the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Axiom Mining Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Axiom Mining Limited's financial position as at 31 March 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Axiom Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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**AXIOM MINING LIMITED
ARBN 81 119 698 770
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
AXIOM MINING LIMITED**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Axiom Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of Axiom Mining Limited's financial position as at 31 March 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated group incurred a net loss of \$4.1 million; incurred net cash outflows from operations of \$3.9 million and had a working capital deficiency of \$4.33 million as at 31 March 2018. Further the consolidated group had no ongoing source of operating income for the half-year ended 31 March 2018. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated group's ability to continue as a going concern and therefore, the consolidated group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our conclusion is not modified in respect of this matter.



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Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 14 June 2018