

14 March 2019

Mr Adrian Smythe
Manager, Listings Compliance (Sydney)
Australian Stock Exchange
20 Bridge Street
Sydney NSW 2000

Dear Adrian,

We refer to your letter dated 5 March 2019 and provide the following responses to your questions.

1. No

2. If the answer to Question 1 is:

a) 'no', please advise the basis for that view.

In the current market environment, the Company considers that the only announcements that may have a material effect on the price of its securities are those relating to the granting (or revocation) of minerals licences and the commencement of mining.

The First Assay Results and the Second Assay Results by themselves are not considered materially price sensitive because the drill holes related to infill drilling over areas Axiom has already drilled and are confirmatory or consistent with previous drilling which has been released to the market. For example, where Axiom had drilled 50m x 50m spacing, the additional drilling was closed in to 25m x 25m spacing.

The Company provides the following additional comments below where it considers that further clarification may be of assistance.

b) 'yes':

i) First batches of assays were sent to Axiom between 14 December 2018 and 18 January 2019.

ii) On or about 15 February 2019

iii) No, these have not been finalised by the laboratory and results have not been made available.

3. If the answer to Question 1 is 'Yes',

a) Not applicable.

b) Not applicable.

- c) The verification and analysis of the assay results was delayed by unforeseen operational issues.

The laboratory preparing the Company's assays for the first and second batches of results took considerable time to process the samples due to the geographical location and logistics of transporting samples from San Jorge Island to Lae in PNG for preparation and then to Perth for assaying. As far as the Company is aware, this was the first time that the lab had taken raw crude laterite samples from another country into PNG. This was also the first time Axiom operated without a prep laboratory being available in Solomon Islands and the first time Axiom or another company in Solomon Islands has had to transport raw crude and full laterite samples into PNG for prep-laboratory analysis.

The first batches involved numerous complications which were unanticipated both by the Laboratory and the Company. For example, there appeared to be a number of capacity constraints within Solomon Islands and PNG: (i) there were considerable delays caused by quarantine and customs at Port Moresby Airport. There were a number of delays in the transportation of samples, both domestically within PNG and internationally, such as failure to deliver on designated airplanes, because of weight issues and other scheduling complications (ii) Similarly, Axiom spent considerable time with the Solomon Islands Ministry of Mines in an effort to streamline the process of obtaining export permits for sample analysis.

Axiom also experienced a number of reconciliation issues during the above process and it committed considerable resources to ensure all QA/QC elements as to reconciliations were to appropriate standards – which also took time to resolve. This process involves the Company's Competent Person and geology staff assessing and interpreting the data upon receipt of assay results, conducting the appropriate QA/QC checks, independent advice from its JORC advisor, preparing the necessary reporting tables and information for release to the market.

The Company continues to work with all parties in order to make the assay process more efficient and it believes that any further release of assay results should occur in a more streamlined timeline.

4. If the answer to question 2(b)(iii) is:

- a) Not applicable.
- b) Axiom is in regular communication with the laboratory and although no definite date for release of further assay results has been provided, the working assumption is that they will be provided by the end of March / early April 2019.

5. Since the release of the timetable on 20 October 2016, the Company has experienced significant delays in obtaining its Mining Lease. The timetable in the above-mentioned Presentation was subject to risk warnings for change in circumstances, including it being "subject to change on certain government approvals".

As a result, the Company's short term strategic objective has been to restore investor confidence by demonstrating the operational feasibility of the Project and using this as the basis for raising additional funding. The Company has sought to achieve this objective by prioritizing the commencement of mining operations to deliver cash flow from the project as quickly and efficiently as possible. Consequently, Axiom is proceeding directly to mining, by implementation of an incremental process of developing a mine plan for initial areas that are proximate to shore based on ongoing grade control drilling, from where product can be mined and delivered into the market.

It remains the Company's intention to prepare and release a JORC Mineral Resource for San Jorge but the timing of it depends on the restoration of investor support for the Project generally and prerequisite financing. As noted above, the Company is currently undertaking grade control drilling over the initial targeted areas for first shipment which will then progressively extend over the entire deposits. At the completion of this further drilling program and assessment by its technical consultants, Axiom anticipates it will likely be in a position to substantiate the release of a JORC Mineral Resource.

6. No.

7. The Company has undertaken a combination of its own analysis of, as well as commissioned third party assessments regarding, various geological, operational and financial aspects in support of the mining activities it plans on San Jorge. Much of this information has been prepared by experienced industry (nickel laterite DSO) participants. Axiom considers that the information provides a reasonable basis to proceed with the San Jorge mine and commence mining operations but does not require disclosure as it is confidential internal management information which no reasonable person would expect to be disclosed under LR3.1A.
8. Yes. This information is not JORC compliant and therefore was not released. This information was prepared to meet the requirements of the Solomon Islands Mines and Minerals Act 1990, which does not require JORC compliance.
9. The information provided was an estimate as required under the requirements of the Environmental Impact Study requirements of the Solomon Islands Environment Act 1998. It was provided on the basis of Axiom's internal analysis and the external advice received as described in the response to (7) above. It was not a production target for the purposes of market disclosure purposes.
10. No. San Jorge is capable of development as a standalone project. Co-development efficiencies may be possible with the inclusion of other mines/deposits but that is not essential for the development of San Jorge.

11. The internal analysis described in (7) above including:

- Technical information: geological reports, assays, mine data base, preliminary mine design, product specifications, sample products for independent analysis by prospective customers/end-users;
- Management and Operational information: site visits (Brisbane and in Solomon Islands) to discuss with management the nature and scale of planned operations, including planned site layout and operating and shipping logistics;
- Legal information: including regarding the project, and the Solomon Islands
- Financial information: including internal financial models

12. Please refer to the response to Question 5.

13. Axiom conducted a process involving selection of a financing and off-take partner over several months. Being a process involving negotiations with multiple parties whose cooperation was required to reach agreement, the timing was not solely in the control of Axiom. Other factors impinging on the timing included that parties (eg Traxys) requested more information than Axiom considered was strictly necessary for that stage in the process. The timing was also adversely affected by the delay in receipt and reconciliation of assays, as outlined above.

At each point where announcements were made, there was a reasonable expectation that discussions could be finalised for disclosure. However, for various commercial reasons, that did not occur until the Company was in a position to disclose the Traxys proposal.

a)

i) & ii) See prior response above; and

The 90 day period is a commercial requirement of Traxys. The Company understands that it intends to commission an independent technical expert to review all aspects of the mine.

14. The joint venture referred to is that between Axiom and the San Jorge Landowners, i.e. Axiom is the international mining company.

15.

- a) Mining has commenced for the initial shipment(s) of nickel ore, which includes: initial digging of the first pits, overburden stripping of the pits, creation of silt ponds and catchment dams, and preparation of stockpile and drying areas. Axiom intends to use its own funds (ie non-Traxys funding) for the initial shipment of ore and is also leasing the necessary fleet and equipment for the first few months of mining activity. Axiom intends to acquire its own mining fleet and equipment following completion and drawdown of funding from Traxys.

- b) Approximately 5,000 tonnes

- c) As noted above, Axiom is currently renting the necessary mine fleet and equipment for the initial shipment(s). The acquisition of mining fleet will occur once the financing is completed with Traxys. The prospectus refers to the longer term plans for mine operation, and adopted a conservative approach to funding the commencement of mining.

16.

- a) As noted above, Axiom is currently renting the necessary mining fleet and equipment required for the initial shipment(s).

The timing of first ore shipment is expected by 31 March 2019, but obviously matters such as adverse weather events may affect final timing.

- b) See above.
- c) 55k WMT, but this is not a production target.
- d) Through current financial resources.
- e) Traxys has advised Axiom that it is its intention to purchase the first shipment, although Axiom has the ability to sell this ore and other potential shipments to others prior to a definitive agreement being executed with Traxys.

17.

- a) Given that Axiom is using a rental option for the first 3 to 4 months of production; capital expenditure for the acquisition of mining fleet is not required until the second half of 2019.
- b) See response above.

18. This information is incomplete and confidential as it is presently being discussed with the SI Government. Generally, a royalty is payable to the Solomon Islands Government for the extraction of nickel ore, as are income taxes and import duties on various items of plant and equipment.

19.

- a) Axiom has a number of potential alternative sources of funding, including shareholders, other financiers and off-take parties interested in working with Axiom on the San Jorge nickel project. Axiom would resume discussions with these parties.
- b) Axiom will continue discussions with alternative sources of short term financing (including those parties identified above), should this be necessary to supplement funds received from the first shipment of nickel ore.

20. So far as we are aware, there is no subsisting default and Axiom has not received any default notice from Magna.

21. No

22.

- a) See response to Q 2, also these are preliminary sampling results and are not definite or conclusive at this stage.
- b) Not Applicable.

23. Axiom will release the samples following completion of the appropriate level of analysis and interpretation of results.

24. Once verified, potentially yes.

25. No.

26. Axiom last week received the last the drilling results. These are being reconciled, interpreted and compiled. Axiom anticipates making an announcement to the market with these drilling results, later this week or early next week.

27. Yes, confirmed

28. Yes, confirmed

Regards



Brent Hofman
Local Agent

About Axiom Mining Limited

Axiom Mining Limited focuses on tapping into the resource potential within the mineral-rich Pacific Rim. Through dedication to forging strong bonds and relationships with the local communities and governments where we operate, Axiom Mining has built a diversified portfolio of exploration tenements in the Asia-Pacific region. This includes a majority interest in part of the Isabel Nickel Project in the Solomon Islands and highly prospective gold, silver and copper tenements in Solomon Islands and North Queensland, Australia. Axiom Mining is listed on the ASX. For more information on Axiom Mining, please visit www.axiom-mining.com

Disclaimer

Statements in this document that are forward-looking and involve numerous risk 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, some of which may be outside the Company's control. 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.

5 March 2019

Mr Brent Hofman
Group Finance Manager & Local Agent
Axiom Mining Limited
Level 6
15 Astor Terrace
Brisbane QLD 4000

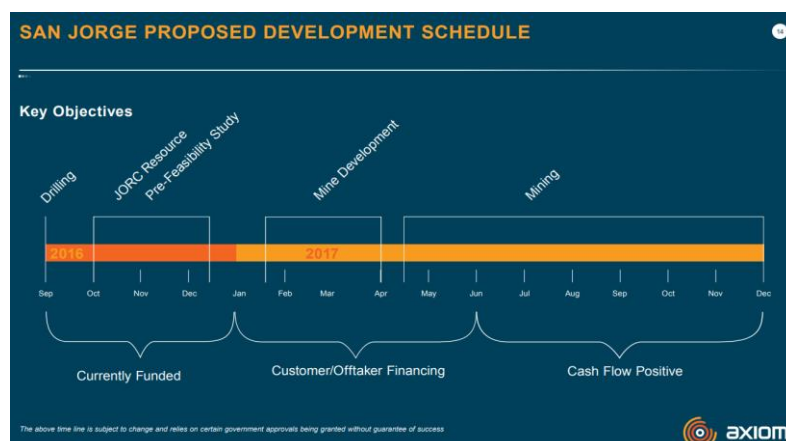
By email

Dear Mr Hofman

Axiom Mining Limited ('AVQ'): ASX Query Letter

ASX refers to the following:

- A. AVQ's announcement titled 'Australian Nickel Conference Presentation' released on the ASX Market Announcements Platform ('MAP') on 20 October 2016 (the 'Presentation') which included the following slide with the proposed development schedule for the San Jorge project in the Solomon Islands ('San Jorge Project') incorporating drilling, the definition of a JORC Resource and a pre-feasibility study followed by mine development:



- B. AVQ's announcements regarding the assay results for its Phase 1 drilling program over 154 holes at the San Jorge Project released on MAP on 30 November 2016, 15 December 2016, 22 December 2016, 20 March 2017, 3 February 2017, 6 March 2017, and 20 March 2017.

The announcement on 20 March 2017 stated (emphasis added): *'Phase 1 of the drill program was designed to establish an initial area for mining and to support development of an initial JORC Mineral Resource ... Phase 2 of the exploration drilling program is planned to commence in tandem with start-up mining activities upon grant of a mining lease.'*

- C. The publicly available document titled 'San Jorge Nickel Project Environmental Impact Statement (EIS) Non-technical Summary Prepared for Axiom Mining Limited' by EMM Consulting Pty Ltd dated 18 January 2018 (the 'EIS') which included the following statements (emphasis added):
- (i) *'Axiom KB Limited (Axiom KB), a subsidiary of Axiom Mining Limited (Axiom), proposes to develop the San Jorge Nickel Project on San Jorge Island in Isabel Province of the Solomon Islands.'*

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- (ii) *'The project will comprise extraction, by shallow strip mining, of approximately 2 million tonnes per annum (Mtpa) of nickel laterite deposits, over a period of five to ten years. The ore will be directly shipped overseas for processing.'*
- D. AVQ's Quarterly Activities Report for the quarter ended 30 June 2018 released on MAP on 31 July 2018 (the 'June 2018 Quarter Activities Report') which included the following statements (emphasis added):
- (i) *'In the lead up to the expected granting of a Mining Lease ('ML') for San Jorge, a detailed refurbishment of the development schedule and framework was established for environment, engineering and geosciences with a comprehensive cost, development and scheduling model being drafted for infrastructure construction, operational and support functions.'*
- (ii) ***'West Guadalcanal ...***
- Phase I of exploration has been completed which comprised of systematic trenching and regional to semi detailed geologic mapping activities in the Humvee prospect.*
- A total of 58 trenches and 1,633 trench samples for 2,120 m and 99 grab/float samples were collected.*
- An initial test/rig commissioning hole was drilled through volcanics on the fringes of the Humvee Prospect.*
- The drilling rig has since been relocated to the target zone within the Humvee area with results expected during Q3'18.*
- E. AVQ's announcement titled 'Mining Lease Granted for Isabel Nickel Project - San Jorge' released on MAP on 20 September 2018 (the '20 September 2018 Announcement') which included the following statements (emphasis added):
- (i) *'...the Minister for Mines...has formally granted Axiom's subsidiary, Axiom KB Limited, the Mining Lease over the San Jorge nickel deposit...'*
- (ii) *'Axiom CEO Mr Ryan Mount said, "...We look forward to efficiently move through all phases of development to commercial production due in early 2019".'*
- (iii) *'Development and construction of the mine has begun.'*
- (iv) *'Financing for life of mine construction and development is in the advanced stages and due to be finalised over the coming weeks.'*
- F. AVQ's announcement titled 'Isabel Nickel Project Update' released on MAP on 3 October 2018 (the '3 October 2018 Announcement') which included the following statements:
- (i) *'Drilling has commenced with focus on grade control for initial pits for mining as well as exploration and resource definition.'*
- (ii) *'Newly proposed off-take arrangements include finance for mine development and working capital finance facilities.'*
- Off-take and finance**
- Axiom's off-take agreement and funding with Gunvor Singapore Pte Ltd announced by the Company on 22 December 2015 for the provision of AU\$5 million of funding to the Company and up to AU\$10 million toward mine construction finance has now expired.*
- The expiration of this agreement has enabled Axiom to consider other offers and to obtain preferential terms considering the new dynamics in the nickel ore market.*

With the recent grant of the mining lease there has been an increase of interest and demand from nickel ore consumers for Axiom's San Jorge material. As the Company is in advanced stages of negotiations with a number of parties (which began prior to the grant of the mining lease), Axiom deemed it prudent to provide a fixed time period to facilitate and evaluate this recent new interest.

A number of qualified interested parties on Axiom's short list have conducted on-site due diligence over the past year and closing dialogues are currently in progress.

Terms and conditions of proposed agreements continue to be refined and are in a final stage of negotiation. The Company anticipates announcing a new off-take and financing arrangement(s) shortly after the completion of the request for final proposals.'

- G. AVQ's announcement titled 'San Jorge mining update - Drilling and fleet mobilisation' released on MAP on 29 October 2018 (the '29 October 2018 Announcement') which included the following statements (emphasis added):

- (i) *'20 holes drilled during the past week to bring the October project total to 55 holes drilled.*

Grade control drilling completed for initial mining target area.'

- (ii) *' "Operational momentum is building at San Jorge with prominent changes occurring on site over the past two weeks, the transition from advanced exploration to mine construction being clearly evident," said Axiom CEO, Mr Ryan Mount.'*

- H. AVQ's Quarterly Activities Report for the quarter ended 30 September 2018 released on MAP 31 October 2018 (the 'September 2018 Quarter Activities Report') which included the following statements (emphasis added):

- i) **'San Jorge Mining Lease**

'As the Company progresses toward the expected first nickel shipment in Q1 2019, numerous development activities are currently underway. In October, Axiom commissioned two rigs and completed over 60 drill holes with more than 600 metres of grade control drilling undertaken to date...

Drilling is initially focused on grade control for the trial shipment areas and later extensions to the life of mine drilling. Pit design and planning are underway for the shipment to provide material for customers and market first.'

- ii) **'West Guadalcanal ...**

Phase II of Axiom's exploration activities in West Guadalcanal commenced in Q2 2018 with a drilling program focusing on drilling targets identified in the Phase I exploration program.

A summary of the drilling statistics to Q3 2018 includes 6 diamond drill holes completed and at least 610m of drilling; 326 core samples have been sent for laboratory analysis. Assay results are due for release early next month.'

- I. AVQ's announcement titled 'San Jorge Mining Update' released on MAP on 13 November 2018 (the '13 November 2018 Announcement') which included the following statements:

'Off-take negotiations nearing completion ...

Infill drilling program completed 14 new holes bringing the current total to 88.'

- J. AVQ's announcement titled 'San Jorge Mining Update' released on MAP on 21 November 2018 (the '21 November 2018 Announcement') which included the following statements (emphasis added):

'On completion of the initial grade control program a drill crew, will be deployed to these recently accessed areas for exploration drilling. This will occur in parallel to planned resource and grade control drilling in areas targeted for mining.'

- K. AVQ's Appendix 3B released on MAP on 12 December 2018 which announced the issue of 731,600 convertible notes under a convertible note agreement dated 26 November 2018 raising \$1,000,000 to be used for *'exploration, development and mining activities in the Solomon Islands for the Isabel Nickel Project and for general working capital requirements'*. AVQ's Notice of Extraordinary General Meeting lodged on MAP on 24 January 2019 disclosed that the convertible notes were issued to MEF I, L.P. ('Magna').
- L. AVQ's announcement titled 'San Jorge Mining Update' released on MAP on 12 December 2018 (the '12 December 2018 Announcement') which included the following statements (emphasis added):

i) ***'Mine Construction Progressing to Plan***

- *Completion of infill drill program for first six (6) months production ... '*

ii) *'...mine construction has rapidly advanced over the past month with completion of the grade control program over the initial mining areas which are planned to provide ore for its first shipment.*

Approximately 150 drill holes have been drilled and samples sent to Australian laboratories for analysis, with assays due shortly. The results will optimise the detailed pit design, mine planning and stockpiling which will all commence later this month.'

iii) *'The last remaining components of the initial mining fleet are due to arrive at San Jorge later this month and in early January 2019. This will provide the Company enough heavy machinery for mining and loading of the planned shipments for the first half of calendar year 2019, with the first shipment on track for Quarter 1 2019. When the production rate ramps up, anticipated in mid-2019, a further mining fleet is scheduled to be delivered to San Jorge to support full production activities.*

iv) ***'Off-take and Financing***

Axiom has considered offers from a number of parties who are interested to purchase ore from the San Jorge nickel mine. Due diligence, site visits, analysis of samples, meetings and negotiations are ongoing with selected parties. Favourable terms have also been received that involve the provision of development finance for construction, capital expenditure and working capital for mine operations.

It is anticipated that the Company will be in a position in the coming weeks to disclose details of its preferred and potentially contracted nickel ore customer/s, along with details of the financing arrangements.'

- M. AVQ's announcement titled 'San Jorge mining and financing update' released on MAP on 20 December 2018 (the '20 December 2018 Announcement') which included the following statements:

'San Jorge mining operations

- *First inventory/stock yard established in preparation for the commencement of mining;*
- *More haul roads established to new target mining areas;*
- *Mine construction on schedule with the first shipment of ore due in Q1, 2019.*

Off-take & financing

-
- Off-take and marketing agreement(s) and debt project financing for San Jorge in advanced stages of negotiation ...'
- N. AVQ's announcement titled 'Isabel Nickel Project Update' released on MAP on 30 January 2019 (the '30 January 2019 Announcement') which included the following statements (emphasis added):
- 'San Jorge mining operations**
- Mining has commenced ...
 - Grade control drilling of the initial mining areas are complete ...
 - First shipment of ore is on track for this quarter
- Off-take and financing**
- *Axiom is considering a number of final proposals for off-take agreements including offers of debt project financing*
 - *A final decision on these offers will likely occur in the coming weeks'*
- O. AVQ's Quarterly Activities Report for the quarter ended 31 December 2018 released on MAP on 1 February 2019 (the 'December 2018 Quarter Activities Report') which included the following statements (emphasis added):
- i) *'Our infill/grade control drill program for the first six months of production is now complete. Mine site construction has rapidly advanced with the completion of the grade control program over the initial mining areas. Our first inventory stock yard has been established in preparation for the commencement of mining. In short, we are underway with the development of the project.*
- ii) **'San Jorge Mining Lease ...**
- Grade control drilling continues and with more drill rigs being sourced, this will shorten the required drilling program.*
- To date, 250 holes have been drilled in the two initial areas defined to supply nickel for the first shipment of ore.'*
- iii) **'West Guadalcanal Project ...**
- Current drilling is targeting the 50m wide mineralised Humvee Fault / Shear Zone ...*
- This phase of the drilling program is now complete. Final sampling, logging and assaying of the last drill holes are occurring this month with final results due to be announced shortly. Upon review of these results, Axiom will then expand the drill program more broadly in the tenement and in the current area of exploration focus.'*
- P. AVQ's announcement titled 'Clarification Announcement and Amended Appendix 5B' released on MAP on 5 February 2019 (the '5 February 2019 Announcement') which included the following statements (emphasis added):
- 'The Company refers to Section 9 of the Appendix 5B for the quarter ended 31 December 2018. The Company advises that a large portion of the \$1.0 million in development costs and \$1.45 million in production costs partly relating to the first shipment of nickel ore from the San Jorge mine are dependent on there being available funding from the Off-take finance facility that the Company is currently negotiating and revenue from sales of nickel ore in the March 2019 quarter.'*
- Q. AVQ's announcement titled 'Excellent drill results at San Jorge, Isabel Nickel Project' released on MAP on 19 February 2019 (the '19 February 2019 Announcement') which disclosed the first grade control drilling

results from the San Jorge Project (the 'First Assay Results') and included the following statements (emphasis added):

- i) *'Assays received from 66 holes of 230 infill holes'*
 - ii) *'Axiom Mining Limited ('Axiom') CEO Mr Ryan Mount said, "We are delighted to have the first of the assays which have greatly assisted in our marketing of the deposit to Asia/Pacific nickel ore consumers. These results have satisfied those we are working with on the financing and off-take agreements."'*
 - iii) *'Since the grant of the Mining Lease September 2018, the focus of the drilling has been to infill previous drilling by Axiom, providing sufficient grade control data to the mining team for the initial target mining areas.'*
 - iv) *'Drilling will continue throughout 2019 and additional drill rigs are currently being sourced to increase drilling productivity in anticipation of a ramp up in mining activity in 2019.'*
- R. AVQ's announcement titled 'Prospectus - Entitlement Offer' released on MAP on 21 February 2019 (the 'Prospectus') for a non-renounceable pro-rata entitlement offer to raise up to \$4.9 million through the issue of one (1) new AVQ share for every 10 AVQ shares¹ held by eligible shareholders at an offer price of \$0.10 per share, plus 4 free attaching options, for every new AVQ share ('Offer'). The Prospectus included the following statements (emphasis added):
- i) On page 5: *'The funds raised under the Offer, net of Offer expenses will be used for the development and mining activities of the Company's Nickel Project in the Solomon Islands, exploration programs and general working capital.'*
 - ii) On page 9: \$4,000,000 of the funds raised under the Offer will be used for *'development and mining activities in relation to the Company's Nickel Project in the Solomon Islands'*.
 - iii) On pages 5-6:
'(Title risk) On 20 December 2018, the Company advised that its Prospecting Licence application for the Kolosori tenement was not successful. The Company has reapplied for the Prospecting Licence and requested a review of the decision. Subsequently, it has been reported to Axiom that this project has been licenced to other companies. There is a risk that the review and further application may not take place or be successful. If this occurs, the Company will not be able to continue its exploration and development of the Kolosori tenement. The Company is considering a claim for judicial review of this matter in the High Court ...
(Production risk) The prospects of the Company depend on the commencement of production as [sic] the San Jorge project. Various factors may result in production being delaying or not being commenced at all, such as weather events, lack of funding, unexpected shortages such as labour and equipment.
(Offtake risk) The Company does not have any executed offtake agreements in place in relation to its San Jorge operations. The Company is in discussions with a number of parties in relation to potential offtake and marketing arrangements for San Jorge. In particular, it is in advanced stages of negotiation with a global commodity trader for a non-binding terms sheet commitment to provide senior project finance in conjunction with commodity offtake. However, there can be no guarantee that the Company will be able to finalise and enter into any such arrangements.'
 - iv) Page 27: ***'(n) Exploration targets and resource estimates***

¹ An AVQ share is a CHESS Depository Interest (CDI) which represents a beneficial interest in one share in AVQ.

The Company has identified a number of exploration targets based on geological interpretations and data and historical drilling. Insufficient data exists to provide certainty of the mineralisation of the Company's projects.

Whilst the Company intends to undertake additional exploratory work with the aim of defining the relevant resources, no assurances can be given that additional exploration will result in the determination of the relevant resource. Even if a resource is identified, no assurance can be provided that it can be economically exploited.'

- v) *On page 38: **'(c) Drilling results.** The Company has received samples from its most recent drilling program and is currently conducting work to validate, reconcile and interpret the assay results. The Company announced on 19 February 2019 the assay results received from 66 holes of the 230 infill holes. Further announcements will be made as soon as the Company has a reasonable basis to believe that the assay results have been appropriately validated, reconciled and interpreted.'*
- S. AVQ's announcement titled 'Further drill results at San Jorge Island' released on MAP on 25 February 2019 (the '25 February 2019 Announcement') which disclosed further grade control drilling results from the San Jorge project (the 'Second Assay Results'), indicates that AVQ has received drilling results for 105 of ~280 holes drilled to date in two target areas for initial shipments, and included the following statements:
- i) *'Encouraging grades of saprolite continue to reinforce potential of San Jorge.*
- Drilling also continues to confirm high iron (Fe) limonite directly above the higher nickel (Ni) grade saprolite providing for a revision of the economic potential of the deposit.*
- Target product for shipment (average):*
- Saprolite ~ 1.55% Ni*
 - Overlying Hi Fe Limonite ~ 48% Fe and ~0.9% Ni.'*
- ii) *'The expected outcome is to produce sufficient data for mine plan of the initial shipments as well as marketing and customer verification.'*
- T. AVQ's announcement titled 'Finance and nickel ore off-take with Traxys' released on MAP on 1 March 2019 (the 'Traxys Announcement') regarding the terms sheet with Traxys Europe S.A. ('Traxys') for senior debt facilities of up to US\$10.5 million and offtake sales arrangements for nickel ore from the San Jorge Project which included the following statements:
- i) *'Under the proposed financing:*
- **Facility limits** – *Traxys will provide up to US\$10.5 million comprising the following:*
 - *up to US\$7 million for capital expenditures required for starting the San Jorge mine, including the purchase of the barging fleet and mine equipment, repayable over a term of 48 months; and*
 - *up to US\$3.5 million for the working capital requirements for the project, repayable over a term of 24 months.*
 - **Closing conditions** – *financial close is subject to due diligence and entering into definitive agreements expected to occur within the next 90 days*
- ii) *'Under the proposed off-take sales arrangements:*
- **Off-take** – *Traxys will have exclusive marketing rights to secure purchase contracts over all of Axiom's nickel ore production from its Solomon Islands projects for not less than five years of production and a minimum of at least 4.2 million wet metric tonnes of ore commencing on the*

first commercial production from the San Jorge nickel mine. First shipment is expected by 31 March 2019 ...

- **Payments** – Traxys will make a provisional payment upfront of a substantial proportion of the sales value of each shipment of ore once loaded on a vessel for transport to the customer, with the balance of each shipment paid after final weights and assays are agreed.
- U. The article in the *Solomon Star News* on 13 February 2019 titled ‘Axiom set to make first nickel export’ (<http://www.solomonstarnews.com/index.php/news/business/item/21390-axiom-set-to-make-first-nickel-export>) which included the following statement: ‘But now, in a groundbreaking joint venture partnership with an international mining company, Axiom and the landowners of San Jorge, these nickel rich deposits will finally be harvested.’
- V. Section 31(1) of the *Mines and Minerals Act 1990* (Solomon Islands) (as amended) which states:
- ‘Each application for a mining lease ...shall specify - ...
- e) a comprehensive report on the mineral deposit which shall include details of the grade and quantity of the proven and probable ore reserves and the anticipated mining conditions, with comments on possible ore reserves;
 - f) a technological report on mining and treatment possibilities and the intention of the applicant in relation thereto;
 - g) a proposed mining plan which shall include-
 - (i) the date by which the applicant intends to commence commercial production;
 - (ii) the anticipated facilities, scale of operations and production capacity; ...
 - (iv) the anticipated processing plan and the estimated overall recovery of ore and mineral products;
 - (v) the anticipated marketing arrangements to be made for the sale of the mineral products; and
 - h) an environmental assessment ...
 - i) a reasonably detailed forecast of capital investment, operating costs, and sales revenues and the anticipated financing plan...’
- W. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
- X. The definition of ‘aware’ in Chapter 19 of the Listing Rules, which states that:
- ‘an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity” and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.’
- Y. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- ‘3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:
- 3.1A.1 One or more of the following applies:
- It would be a breach of a law to disclose the information;

- *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - *The information is generated for the internal management purposes of the entity; or*
 - *The information is a trade secret; and*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 *A reasonable person would not expect the information to be disclosed.'*
- Z. The definition of 'production target' in Chapter 19 of the Listing Rules, namely '*a projection or forecast of the amount of +minerals to be extracted from a particular +mining tenement or tenements for a period that extends past the current year and the forthcoming year*', and Listing Rule 5.15 which states the following:
- 'An +entity must not issue a public report containing or referring to a +production target that is based:*
- a) solely on an +exploration target or solely on a combination of +inferred mineral resources and an +exploration target; or*
 - b) solely or partly on +historical estimates or +foreign estimates (other than +qualifying foreign estimates) of mineralisation.'*

Questions and Requests for Information

Having regard to the above, ASX asks AVQ to respond separately to each of the following questions and requests for information:

San Jorge Project

1. ASX notes the following disclosure by AVQ regarding the San Jorge Project grade control drilling:
 - As at 29 October 2018, 55 holes had been drilled which completed the grade control drilling for the initial mining target area (see paragraph G above);
 - As at 13 November 2018, a total of 88 holes had been drilled (see paragraph I above);
 - As at 12 December 2018, drilling over the initial mining area had been completed and assays for approximately 150 drill holes were 'due shortly' from Australian laboratories (see paragraph L above); and
 - As at 25 February 2019, ~280 holes had been drilled (see paragraph S above).

ASX also notes that the First Assay Results covering 66 drill holes were released on 19 February 2019, the Second Assay Results for a further 39 drill holes were released on 25 February 2019, while the results for the remaining ~175 drill holes have not yet been released.

Does AVQ consider the First Assay Results and/or the Second Assay Results and/or the remaining assay results to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to Question 1 is:
 - a) 'no', please advise the basis for that view.

-
- b) 'yes':
- i) When did AVQ first become aware of the First Assay Results?
 - ii) When did AVQ first become aware of the Second Assay Results?
 - iii) Is AVQ aware of the results of the assays for the remaining drill holes (or parts thereof)?
3. If the answer to Question 1 is 'yes', please explain why the First Assay Results and the Second Assay Results (or parts thereof) were not released to the market prior to the 19 February 2019 Announcement and the 25 February 2019 Announcement respectively. In your answer, please specifically address the following:
- a) When did you believe AVQ was obliged to release the First Assay Results and Second Assay Results (or parts thereof) under Listing Rules 3.1 and 3.1A?
 - b) What steps did AVQ take to ensure that the First Assay Results and Second Assay Results were released promptly and without delay?
 - c) Given the First Assay Results and Second Assay Results were released over 2 months after the 12 December 2018 Announcement, on what basis did AVQ state that assays were 150 drill holes were 'due shortly'?
4. If the answer to question 2(b)(iii) is:
- a) 'yes', please explain why these assay results (or parts thereof) have not yet been released to the market, commenting specifically on why you believe AVQ is not yet obliged to release these assay results (or parts thereof) under Listing Rules 3.1 and 3.1A and what steps AVQ is taking to ensure that these assay results are released promptly and without delay.
 - b) 'no', please indicate when AVQ expects to release these assay results (or parts thereof) to the market, commenting specifically on what steps AVQ is taking to ensure that these assay results are released promptly and without delay.
5. ASX notes that AVQ disclosed its intention to define a JORC Mineral Resource for the San Jorge Project in the Presentation, each of the announcements referred to in paragraph B above, the 3 October 2018 Announcement, the 21 November 2018 Announcement and the Prospectus.
- Please indicate when AVQ expects to release a JORC Mineral Resource for the San Jorge Project to the market, commenting specifically on what steps AVQ is taking to ensure that a JORC Mineral Resource is released promptly and without delay.
6. Has AVQ completed any feasibility studies for the San Jorge Project?
7. If the answer to Question 6 is:
- a) 'yes', please explain why any such feasibility studies have not yet been released to the market, commenting specifically on why you believe AVQ is not yet obliged to release them under Listing Rules 3.1 and 3.1A.
 - b) 'no', please explain the basis upon which AVQ decided to proceed with the San Jorge Project and commence mining operations.
8. Did Axiom KB Limited (80% AVQ) provide the information specified in subsections 31(1)(e), (f), (g) and (i) of the *Mines and Minerals Act 1990* (Solomon Islands) when it applied for the mining lease?
- If the answer to this question is 'yes', please explain why the abovementioned information (or parts thereof) has not been released to the market.
9. ASX notes that AVQ provided a production target for inclusion in the EIS.

On what basis did AVQ provide this production target?

10. Was AVQ's decision to proceed with the San Jorge Project's development predicated (wholly or partially) upon the expectation that Axiom KB Limited would be granted a prospecting licence and, in due course, a mining lease over the Kolosori tenement?

If the answer to this question is 'yes', please explain the basis for AVQ's decision to continue to develop the San Jorge Project after 20 December 2018 (when it was advised that its prospecting licence application for the Kolosori tenement was not successful).

11. What information has (and will) AVQ provided to Traxys for its due diligence in relation to the San Jorge Project?
12. Given the 30 January 2019 Announcement states that mining has commenced at the San Jorge Project, AVQ does not appear to have followed the stages outlined in the Presentation. Please explain the reasons for not following these stages (i.e. drilling followed by JORC Resource definition and a pre-feasibility study, mine development and then mining).
13. ASX notes the disclosures by AVQ regarding financing and offtake sales arrangements for the San Jorge Project in the 20 September 2018 Announcement, the 3 October 2018 Announcement, the 13 November 2018 Announcement, the 12 December 2018 Announcement and the 20 December 2018 Announcement indicating that these arrangements were due to be finalised over the coming weeks or were in advanced stages of negotiation (the 'Financing Statements'). However, the Traxys Announcement was not made until 1 March 2019.
- a) Please explain the basis upon which AVQ made the Financing Statements.
 - b) Please explain the reasons for the apparent delays in entering into:
 - i) the terms sheet with Traxys; and
 - ii) definitive agreements with Traxys. In your response, please comment specifically the reasons for Traxys requiring a further period of up to 90 days for due diligence.
14. Please clarify whether the joint venture partnership with an international mining company referred to in the article in the *Solomon Star News* (see paragraph U above) is a reference to a 'joint venture' between the San Jorge landowners and AVQ (i.e. that AVQ is the international mining company), or whether AVQ has entered into a joint venture or is in discussions to enter into a joint venture with another international mining company for San Jorge.
15. The 30 January 2019 Announcement states that mining has commenced at the San Jorge Project. However, the Prospectus which is dated 21 February 2019 states that *'the prospects of the Company depend on the commencement of production as [sic] the San Jorge project'*, and the Traxys Announcement discloses that capital expenditure is required *'for starting the San Jorge mine'*
- a) Please clarify the nature of the 'mining' activity that has commenced as disclosed in the 30 January 2019 Announcement. For instance, is this trial mining or mining of commercial quantities of nickel ore?
 - b) How much nickel ore has been mined to date?
 - c) Please explain the apparent inconsistency between the statements regarding the commencement of mining/production in the 30 January 2019 Announcement relative to the Prospectus and the Traxys Announcement.
16. The 5 February 2019 Announcement discloses that a large portion of the \$2.45 million of expected development and production costs for the current (March 2019) quarter partly relate to the first nickel ore

shipment and are dependent on available funding from an offtake finance facility and revenue from nickel ore sales. In addition, the Traxys Announcement disclosed that capital expenditure is required to start the mine including purchasing the barging fleet and mine equipment (although it maintained that the first shipment is expected by 31 March 2019).

- a) Given AVQ has not yet entered into definitive financing and offtake sales arrangements with Traxys (as they are subject to a due diligence period which would expire around the end of May 2019) and the Rights Issue is scheduled to be completed on 1 April 2019, please confirm whether the first shipment of nickel ore is still expected to be made by 31 March 2019.
 - b) If the first shipment will not be made by 31 March 2019, when is it expected to occur?
 - c) How much nickel ore is expected to be shipped in the first shipment?
 - d) How have the associated development and production costs for the first shipment been funded?
 - e) Will Traxys purchase the first shipment if the definitive offtake sales agreement has not been executed by this time?
17. The Traxys Announcement implies that up to US\$7 million of capital expenditure is required for the San Jorge Project. In light of this, please confirm the capital expenditure that is required to enable commercial quantities of nickel to be mined at the San Jorge Project and to facilitate the anticipated ramp up in mining activity in 2019 referred to in the 19 February 2019 Announcement:
- a) in the current half year (June half 2019)?
 - b) in the December 2018 half year to ramp up production?
18. Please detail the royalties and any other fees or amounts that are payable to the Solomon Islands government as a result of nickel ore sales from the San Jorge Project.

Funding

19. ASX notes that:
- AVQ's cash balance at 31 December 2019 was \$1,691,000. This includes the \$1 million proceeds from the issue of convertible notes to Magna on 12 December 2018 and \$2.5 million of funding provided by Mr Jeffrey Markoff and Mr Ryan Mount as loans.
 - Based on its ASX announcements, AVQ has not raised any funds since 31 December 2018.
 - AVQ has not yet entered into definitive financing and offtake sales agreements for the San Jorge Project.
 - AVQ's share price at the close of trade on 4 March 2019 was 8.1 cents. Given the Rights Issue offer price is 10 cents and the Rights Issue is not underwritten it is possible to conclude that AVQ may not raise gross proceeds of \$4.9 million.
- In light of the above, please outline AVQ's current intentions for both the San Jorge Project and AVQ more generally if the following scenarios transpire:
- a) AVQ does not conclude a definitive financing and offtake sales agreements for the San Jorge Project by the end of May 2019.
 - b) AVQ raises substantially less than \$4.9 million under the Rights Issue.
20. Has AVQ breached any of the provisions of the convertible note agreements with Magna? If the answer to this question is 'yes', please detail any breaches and disclose whether Magna has waived any such breaches.

West Guadalcanal Project

21. ASX notes the following disclosure by AVQ regarding the progress of exploration at the West Guadalcanal Project:
- As at 31 July 2018, 1,633 trench samples and 99 grab/float samples had been collected in Phase 1 exploration (the 'Phase 1 Samples') (see paragraph D above).
 - As at 31 October 2018, assay results for 326 core samples were due for release in early November 2018 (the 'Phase 2 Assays') (see paragraph I above).
- Does AVQ consider the Phase 1 Samples to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
22. If the answer to Question 21 is:
- a) 'no', please advise the basis for that view.
 - b) 'yes', is AVQ aware of the results of the Phase 1 Samples?
23. If the answer to question 22(b) is:
- a) 'yes', please explain why the Phase 1 Samples have not yet been released to the market, commenting specifically on why you believe AVQ is not yet obliged to release the Phase 1 Samples under Listing Rules 3.1 and 3.1A and what steps AVQ is taking to ensure that these assay results are released promptly and without delay.
 - b) 'no', please indicate when AVQ expects to release the Phase 1 Samples to the market, commenting specifically on what steps AVQ is taking to ensure that Phase 1 Samples are released promptly and without delay.
24. Does AVQ consider the Phase 2 Assays to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
25. If the answer to question 24 is:
- a) 'no', please advise the basis for that view.
 - b) 'yes', is AVQ aware of the Phase 2 Assays (or parts thereof)?
26. If the answer to question 25(b) is :
- a) 'yes', please explain why the Phase 2 Assays (or parts thereof) have not yet been released to the market, commenting specifically on why you believe AVQ is not yet obliged to release the Phase 2 Assays (or parts thereof) under Listing Rules 3.1 and 3.1A and what steps AVQ is taking to ensure that these assay results are released promptly and without delay.
 - b) 'no', please indicate when AVQ expects to release the Phase 2 Assays (or parts thereof) to the market, commenting specifically on what steps AVQ is taking to ensure that these assay results are released promptly and without delay.
27. Please confirm that AVQ is complying with the Listing Rules and, in particular, Listing Rule 3.1.
28. Please confirm that AVQ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AVQ with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **12 pm AEDT on Monday, 11 March 2019**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to AVQ's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that AVQ's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Adrian Smythe
Manager, Listings Compliance (Sydney)