

12 July 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 21 May 2019 and provide the following responses to your questions adopting the numbering in your letter.

1. Yes
2. Not applicable.
- 3

(a) When did AVQ become aware the March Shipping Information would need to be revised?

Axiom first became aware on or about 20 March 2019 that the March Shipping Information would need to be revised and it was confirmed when Axiom's mine manager provided to the Managing Director an email entitled 'Progress report – March 21, 2019' which advised the then production rate and that at those rates, there would be a sufficient 'saleable ore ...within 6 – 7 days' with an anticipated drying time of 'around two weeks' based on trials that had been conducted. Production delays has a consequential delaying effect on finalising transport logistics and final customer contracts. Separately, Axiom experienced delays in obtaining the necessary regulatory approvals. The March Shipping Information was updated on 22 March 2019. Further details are contained in the response to question 4(b).

(b) When did AVQ become aware the April Shipping Information would need to be revised?

Axiom first became aware on or about 18 April 2019 (Easter Thursday) that the April Shipping Information would need to be revised when it became aware that as at 31 March 2019, only 6,000 wet metric tonnes (wmt) of nickel ore had been stockpiled. Separately, Axiom also experienced delays in obtaining the necessary regulatory approvals. Further details are contained in the response to question 4(c).

There was no trading in Axiom shares during the Easter holidays which commenced on Friday 19 April 2019 and ended on Monday 22 April 2019. On 23 April 2019, Axiom requested a trading halt and the March Shipping Information was updated on 24 April 2019. Trading in Axiom's shares were suspended until 10 May 2019.

(c) When did AVQ become aware the May Shipping Information would need to be revised?

Axiom first became aware on 1 May 2019 (when trading in its shares remained suspended), that the May Shipping Information would need to be revised when it's new mine management team (appointed on 29 April 2019) reported that the production rates previously advised by management on 21 March 2019 were not achievable. Further details are contained in the response to question 4(d).

(d) When did AVQ become aware the June Shipping Information would need to be revised?

Axiom first became aware on 17 May 2019 that the June Shipping Information would need to be revised when its mine management team recommended that Axiom should change its proposed method of assaying the stockpile prior to shipment. Further details are contained in the response to question 4(e).

4. On what basis did AVQ determine the following information:

(a) March Quarter Shipping Information

The March Quarter Shipping Information was provided on the following basis:

(i) Production - Original Mine Plan, September 2018 – 21 March 2019

In September 2018, following the grant of the San Jorge Mining Lease, a mining plan was finalised by a team led by an external project manager experienced in nickel laterite mining and comprising Axiom's senior geologist, the Managing Director, Group Finance Manager and external consultants (**Original Mine Plan**).

The plan relied on historical work including a technical study completed by an external mining engineering company in 2016. The Original Mining Plan covered various work streams including:

- camp upgrade and first fill logistics
- procedures, tracking and cost control
- key contracts required for bulk fuel and consumables
- procuring rented mining fleet equipment
- mobilization of equipment and personnel
- environmental management and monitoring
- on-site road layout and design
- Road port construction
- stockyards
- compliance works
- infill drilling and assay
- barging and shipping arrangements

Under the Original Mine Plan, the target first shipment date was Q1 2019.

(ii) Grade control, September 2018 – 21 March 2019

During September 2018, Axiom commenced an infill drilling and grade control program to identify the most prospective areas from which to commence extraction operations. Axiom's in-house senior geologist, in consultation with an external consultant (who was formerly Axiom's competent person), prepared a Life of Mine Grade Control Plan and Grade Control Plan concentrating on the first five targets identified for the first shipments for the 2019 calendar year. The grade control plans were updated as and when drilling and assay results became available.

(iii) Implementation of Original Mine Plan

In early October 2018, the Original Mine Plan was reviewed by Axiom's mine manager, Mr Andrew Davies, and presented to the Board with his endorsement and without revision to the target first shipment date of Q1, 2019.

In November 2018, Mr Mike Strachan replaced Mr Davies as mine manager. Axiom commenced ore drying trials on a small scale by taking a sample of nickel ore and recording daily its weight and volume and changes to weight and volume to assess drying of the material. Based on those trials, Axiom allowed for 7 - 14 days for drying

By December 2018, commercial arrangements had been made for bulk fuel supply, consumables and provisions in the Solomon Islands and plans made for procuring the initial mine fleet. Some initial mine equipment was also received at site. An upgrade of the camp and infrastructure development plans had commenced in order to expand the accommodation numbers to 90 personnel to accommodate increasing exploration and development.

Axiom also commenced haul road upgrades, expanding and widening the roads and sheeting the roads with gravel / limestone to allow haulage in wet conditions. Internal economic models were updated with new mining inventory information from the continuous upgraded infill drilling program and the life of mine study prepared by Axiom's internal geology team.

On 22 January 2019, Mr Strachan prepared an updated work program which did not change the target first shipment date of Q1 2019.

Until 21 March 2019, Axiom considered that it could produce sufficient material for the first shipment in Q1 2019 on the basis of the mine plan and progress described above.

(iv) Customer availability

Axiom considered that there would be a buyer for its first shipment and that formal arrangements could be finalised by Q1 2019 on the following basis.

Axiom had been in discussions with multiple potential customers leading up to and following the granting of the Mining Lease in September 2018.

From October 2018, Axiom progressed discussions with multiple potential customers (including marketing agents and parties interested in either offtake alone or offtake and financing). Axiom provided interested parties with detailed specification sheets and product details for either direct off-take and or combined with financing of the San Jorge Project, responded to customer information requests and facilitated customer diligence through site visits and the provision of mining information. During this period, number of potential direct buyers (including Traxys) had also provided indicative contractual terms.

In January 2019, Axiom received a draft terms sheet from Traxys which included off-take and a financing facility of up to US\$10.5 million which was finalised in late February 2019 and released to the ASX early March 2019.

In mid-March 2019, Axiom received from Traxys an indicative draft contract and commitment to purchase the first shipment.

Based on these interactions, there was reasonable basis to believe that there was customer demand for the product and that sale arrangements could be finalised in a timely way to coincide with when the ore was ready for shipment.

(v) Barging and Shipping

Axiom considered that, subject to the availability of material, arrangements could be made to load the first shipment material onto a vessel by Q1 2019 on the following basis.

The Company had been in discussions with barge and transshipping service provider's on-shore in the Solomon Islands as well as off-shore including Australia to provide tug and barge services to load Axiom's ore onto an ocean going vessel. Based on these discussions, Axiom considered that arrangements could be made to load a vessel by Q1 2019 because there was reasonable basis to believe that the required services were available and that commercial arrangements could be finalised in a timely way to coincide with when the ore was ready for shipment. Commercially, it decided that barging would be mobilised as close to the required shipping date to avoid unnecessary shipping stand-by costs.

Separately, Axiom had engaged a ship broker who made enquiries regarding a suitable vessel – including adequate load capacity, loading and unloading equipment and indicative price per tonne – received quotes and arranged for expressions of interest. Based on feedback from its broker, Axiom considered that a suitable vessel could be secured by Q1 2019 because there was reasonable basis to believe that a vessel would be available and that commercial arrangements could be finalised in a timely way to coincide with when the ore was ready for shipment.

(vi) Regulatory requirements

Axiom considered that the necessary Solomon Islands regulatory permits would be granted in time for first shipment by Q1 2019 on the following basis.

The principal regulatory requirements are the grant of a Mineral Export Permit (which is granted by Ministry of Mines, Energy and Rural Electrification (MMERE) (**Export Permit**) on the recommendation of the Minerals Board) and customs and work visa permits (which are granted through the Solomon Islands Customs and Excise (SICED) (**Inward and Outward Clearances**)).

The decision to grant an Export Permit is made after a formal process and generally occurs at periodic Mineral Board meetings (although extraordinary meetings can be convened on an urgent basis to grant Export Permits). SICED decisions in relation to Inward and Outward Clearances are of a more of an operational nature and are provided on a case by case 'as required' basis to reflect the proposed operational arrangements at the time (eg number of workers requiring visas and customs arrangements). These decisions are made on a shorter timeframe and are usually coordinated by a port agent working with SICED officers at an operational level.

In October 2018, Axiom commenced discussions with MMRE as to the requirements to apply for an Export Permit. One of the principal requirements was to provide evidence of sale of the export material.

By March 2019, Axiom considered that it was in a position to meet all application requirements (including the evidence of sale requirement based on the signed Traxys offtake and funding terms sheet and commitments to buy the first shipment). Axiom had planned for its application to be finalised and considered at a March Minerals Board meeting.

In February 2019, Axiom commenced discussions with port agents to assist with Inward and Outward Clearances. Based on those discussions, Axiom considered that once firm arrangements were in place in relation to the first shipment (in particular a firm shipping timetable), Inward and Outward Clearances would be resolved operationally in the ordinary course.

(b) April Shipping Information – provided 22 March 2019

The April Shipping Information was provided on the following basis:

(i) Production - 21 March progress report

On 21 March 2019, the Managing Director received an email entitled 'Progress report – March 21, 2019' from the General Manager, Mr Strachan, which advised the then production rate and that at those rates, there would be a sufficient 'saleable ore ... within 6 – 7 days' with an anticipated drying time of 'around two weeks' based on trials that had been conducted. The April Shipping Information was based on that report and the Original Mining Plan that it had been implementing.

(ii) Customer

Axiom considered that formal arrangements with a buyer could be finalised by the target timing in the April Shipping Information on the basis of its previous discussions, particularly with Traxys.

(iii) Barging and Shipping

Axiom considered that arrangements could be made to load the first shipment material onto a vessel based on previous discussions with barging companies.

Axiom considered that arrangements could be made to ship the first shipment based on previous discussions with its ship broker updated by quotes and expressions of interest for a vessel by its ship broker that a vessel would be made available for loading between 15 to 20 April 2019 or as required by Axiom.

(iv) Regulatory requirements

No Minerals Board meeting was held in March due to the scheduled April General Election. Accordingly, with the General Election to be completed in early April, Axiom expected that its Export Permit application would be considered after the election in April.

Based on its discussions with its port agent and meetings and discussions with relevant department officer for sufferance port permissions, Axiom considered that once firm arrangements were in place in relation to the first shipment (in particular a firm shipping timetable), Inward and Outward Clearances would be resolved in the ordinary course.

(c) May Shipping Information – provided 24 April 2019

The May Shipping Information was provided on the following basis:

(i) Production

In early April 2019, Mr Strachan suffered non-work related injury, took personal leave and left site. Operations were also adversely impacted by the Solomon Islands General Election in early April followed by bad weather and then the Easter holidays (19 – 22 April 2019).

Due to Mr Strachan's absence, Axiom only became aware on or about 24 April 2019 that the stockpile as at 31 March 2019 was 6,000 wmt when it received an operational update from management.

Based on the production rates last advised by Mr Strachan on 21 March 2019 and the resumption of normal operations following the end of disruptions in April, Axiom believed that it could make up for the lost production to meet the target timing in the May Shipping Information.

(ii) Customer

Axiom considered that formal arrangements with a buyer could be finalised by the target timing in the May Shipping Information on the basis of its previous discussions and also the following basis. Traxys again confirmed its commitment for the first shipment and proposed a laycan period commencing from 27 May 2019 with a discharge port location in China.

(iii) Barging and Shipping

Axiom received a commercial offer for barges and advice from Axiom's shipping agent as to updated vessel availability in late May. This included quoted prices for a vessel departing Solomon Islands to unload in China. The Company also received a weekly update of ship availability based on laycan days and prices for various sized vessels.

(iv) Regulatory requirements

Export Permit – based on discussions between Axiom and two senior officials in MMERE, Axiom believed that its Export Permit application would be considered by the Minerals Board at its meeting after the new Solomon Islands Minister for Mines and Energy was sworn, which Axiom expected in May 2019.

Inward and Outward Clearances – based on its discussions with its port agent, Axiom considered that once firm arrangements were in place in relation to the first shipment (in particular a firm shipping timetable), Inward and Outward Clearances would be resolved in the ordinary course.

(d) June Shipping Information – provided 10 May 2019

The June Shipping Information was provided on the following basis:

(i) Production

On 29 April 2019, Mr Strachan was replaced by a new executive mining team comprising Mr Tim Ashworth (executive general manager) and Mr Michael James (mine manager).

On 1 May 2019 the new mine management team provided to the Managing Director a report on site and current mining operations which included comments as to:

- assessment of the mine plan for the initial targeted areas and the resource data
- additional access road to the high grade zones for the initial Target 1 area
- review of Target 2 high grade area while Target 1 is being mined
- restricting certain positions at site for operation efficiencies
- production rates and equipment requirements
- grade control
- stockpiling
- camp arrangements
- barging
- timings

The new mine management team estimated, amongst other things, that 10 trucks operating at 150 WMT per day would take 30 days to deliver the remaining balance required for stockpiled ore. That estimate assumed the availability of additional mining fleet equipment including haulage trucks and excavators. Axiom believed that the additional equipment would be available in May based on discussions with contractors who provided monthly rental rates.

(ii) Customer

Axiom considered that formal arrangements with a buyer could be finalised by the target timing in the June Shipping Information on the basis of its previous discussions with Traxys and others.

(iii) Barging and Shipping

Axiom considered that arrangements could be made to load by barge the first shipment material onto a vessel and ship the first shipment based on previous discussions with barging contractors and its ship broker, updated by weekly freight rate updates and advice that a vessel could be made available from 2 – 5 potential sources.

(iv) Regulatory requirements

Export Permit – the Director of Mines confirmed by email on 1 May 2019 that Axiom's application would be considered at the Minerals Board meeting in the '3rd week of May'.

Inward and Outward Clearances – based on its discussions with its port agent, Axiom considered that once firm arrangements were in place in relation to the first shipment (in particular a firm shipping timetable), Inward and Outward Clearances would be resolved in the ordinary course.

(e) July Shipping Information – provided 17 May 2019

The July Shipping Information was provided on the following basis:

(i) Production

The rate of production would occur in accordance with the advice given by the mine management team on 1 May 2019.

On 17 May 2019 the new mine management team advised the Managing Director to change the methodology for the sampling of extracted material and that if an onsite assaying capability could be established, the end of July was possible for first shipment. Axiom also took steps to redesign the mining pits to reduce the amount of material and haulage distance to be moved, increase mining efficiencies and increase nickel ore production.

Axiom considered that it could procure the onsite sample preparation equipment based on the cash funds available and the net proceeds from an anticipated placement, its enquiries regarding the availability of equipment and delivery times of between 4 to 8 weeks.

(ii) Customer

Axiom considered that formal arrangements with a buyer could be finalised by the target timing in the July Shipping Information on the basis of discussions with Traxys.

(iii) Barging and Shipping

Axiom considered that arrangements could be made to load by barge the first shipment material onto a vessel and ship the first shipment based on previous discussions with barging contractors and updates from its ship broker

(iv) Regulatory requirements

Export Permit – in response to a request for confirmation that the Minerals Board was on track to consider Axiom's application at its Board meeting in the third week of May, the Director of Mines advised by email on 15 May 2019 that Axiom's application would be considered at the Minerals Board meeting in the 'second week of June'.

Inward and Outward Clearances – based on its discussions with its port agent, Axiom considered that once firm arrangements were in place in relation to the first shipment (in particular a firm shipping timetable), Inward and Outward Clearances would be resolved in the ordinary course.

(v) Funding

Axiom would raise sufficient equity funding under the entitlement offer announced on 17 May 2019 to fund operational requirements including increasing production rates by expanding mining fleet and acquiring other equipment required for on-site assaying and drying material prior to shipment.

5(a)

- i) Cyclone Uma and particularly its persistent presence in the Solomon Sea and its subsequent effect were not normal 'wet season' events. It caused the largest shipwreck since WWII and spill in relation to a vessel servicing the only other mining operation in the Solomon Islands.
- ii) The General Election was the first time bio-metric identification was used. This caused significant inter-island migration both before and after the election period impacting on the availability of labour and transport.
- iii) Allowance was made for a level of disruption but the full impact was unexpected. Axiom's mine manager at the time was experienced in operations of this nature and Axiom relied on the judgement and reports of its management.

5b. Axiom did not fail to anticipate the need for on-site assay capability. Axiom recognised in its planning that such a capability is desirable. The issue was commercially the appropriate time to make the investment. Axiom's strategy is to commence production and achieve sales and cash inflows as soon as possible in order to demonstrate proof of concept, make the project as attractive as possible for investment and to attract sustainable long term funding. Due to the need to prioritise use of funds and based on the operational advice of its former mine management team, Axiom's plan under its accelerated development strategy, was to proceed initially without on-site assay capability and then to make the necessary investment to acquire that capability as soon as possible after proof of concept, subject to securing sustainable funding. That approach changed when Axiom received new advice from its new mine management team. Axiom considers it reasonable to accept the prevailing operational advice of its experienced mine managers.

6. Axiom noted the customer's comments but relied on the advice of its mine manager on 21 March 2019.

7. Please explain why AVQ revised its shipping information on three (3) occasions over a period of approximately 3 weeks.

Reasons provided in responses to Q4

8. Why didn't AVQ disclose the following matters in the 10 May 2019 Announcement?

a) That the new mine management team was undertaking a review of the mine plan?

Axiom did not expect that material changes would be required to the then current mining plan. It considered the review by the new team to be part of a normal process of familiarisation with the operation by a new mine management team in the nature of a handover. Accordingly, Axiom did not consider that the undertaking of the review or the timing of completion of the review (or the key components thereof) to be material for disclosure.

b) The anticipated timing of completion of the review (or the key components thereof)

See response to Q8 (a).

c) The potential implications or any adverse findings regarding the current mine plan and the associated remedial recommendations?

As at 10 May 2019, Axiom was aware of production delays and disclosed it accordingly. No recommendation was made to change to assaying methodology until 17 May 2019.

9. What is the estimated grade of the 18,500 WMT of nickel Ore that has been extracted and stockpiled as at 16 May 2019

The target grade is 1.6% Ni. The exact grade will be determined at the time it is prepared for loading to the ship where it will be further tested.

Axiom considers the target grade is reasonable based on its drilling results and mining methods being used to target the areas of the pit (based on the drilling results) which are considered most likely to contain the required grade of material.

For example, Axiom is using portable X-ray Fluorescence (XRF) to provide a real-time geochemical reading analysis of nickel found in rocks, soil and drill core samples.

10. How long is it taking for the stockpile ore to reach acceptable shipping moisture content?

Our testing so far has indicated that under dry conditions (covered during rain) it could take between 7 to 14 days to reduce to acceptable shipping moisture content. Axiom has a moisture analyser on site to assist in measuring the moisture content of the ore.

11. Are appropriately skilled and experienced professionals available to operate both the existing mining fleet and additional mining fleet due in late May?

The mining fleet is being procured on a 'wet hire' basis where the equipment supplier provides both the equipment as well as a skilled operator.

12. When will the on-site assay capability using specialist equipment be operational?

Current expectation is the week commencing 22 July 2019. Some critical components have already been mobilised to site such as pulverisers, float table and moisture analyser. The key component now waiting delivery is a specialist oven to dry the material prior to assaying. Delivery is expected in the week of 15 July 2019.

13. Requested information provided (not for release to the market).

14. Confirmed

15. 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.



21 May 2019

Reference: ODIN02587

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'): Query Letter

ASX refers to the following:

- A. AVQ's announcement titled 'Mining Lease Granted for Isabel Nickel Project - San Jorge' released on the ASX market announcements platform ('MAP') on 20 September 2018 which announced that the Minister for Mines had formally granted AVQ's subsidiary, Axiom KB Limited, the Mining Lease over the San Jorge nickel deposit.
- B. AVQ's statements regarding the expected timing of the first shipment of nickel ore from its San Jorge nickel project in the Solomon Islands ('**San Jorge Project**'), namely in the first quarter of 2019, in the following announcements released on MAP:

Announcement Title	Date released	Statement regarding first shipment timing
Quarterly Activities Report	31 October 2018	<i>'As the Company progresses toward the expected first nickel shipment in Q1 2019 ...'</i>
San Jorge Mining Update	12 December 2018	<i>'... with the first shipment on track for Quarter 1 2019'</i>
San Jorge mining and financing update	20 December 2018	<i>'first shipment of ore due in Q1, 2019'</i>
Isabel Nickel Project Update	30 January 2019	<i>'First shipment of ore is on track for this quarter'</i>
Quarterly Activities Report	1 February 2019	<i>'The first shipment of nickel ore remains on schedule for the first quarter of 2019.'</i>
Finance and nickel ore off-take with Traxys	1 March 2019	<i>'First shipment is expected by 31 March 2019 ...'</i>
2018 Annual Report	11 March 2019	<i>'FIRST SHIPMENT OF ORE IS EXPECTED TO OCCUR IN THE FIRST QUARTER OF 2019.'</i> <i>'First shipment of ore is still on target for export late in March 2019.'</i>
Response to ASX Query Letter	14 March 2019	Answer to Question 16(a): <i>'The timing of first ore shipment is expected by 31 March 2019, but obviously matters such as adverse weather events may affect final timing.'</i>

(together the '**March Quarter Shipping Information**')

- C. AVQ's announcement titled 'San Jorge Mining Update' released on MAP on 12 December 2018 which announced the appointment of Michael Strachan as General Manager for the San Jorge Project and included the following statements:

'Michael has over 40 years' experience managing brownfield and greenfield projects in Australia, PNG, Indonesia, Myanmar, Philippines and Thailand which have been on time and on budget. He has overseen the successful delivery of mine site planning, production, production maintenance services and strategy, including the development and commissioning of nickel laterite mines.'

- D. AVQ's Quarterly Activities Report for the December 2018 quarter released on MAP on 1 February 2019 which included the following statements:

'The selection of suitable mining fleet and equipment for the first shipment of nickel ore has been finalised. These consist of excavators, articulated and fixed body dump trucks, front end loaders, graders, compactors, weigh bridges, fuel depot, permanent and portable analysis laboratories, barges and marine tug set, light vehicles and other ancillary equipment.'

- E. The national general elections for the Solomon Islands national parliament ('Election') which occur every four years. On 5 February 2019, the Governor-General of the Solomon Islands confirmed the date for the 2019 Election was 3 April 2019.

- F. ASX's query letter to AVQ dated 5 March 2019 (the '**Query Letter**') and AVQ's response dated 14 March 2019 which were released together on MAP on 14 March 2019.

More specifically, ASX refers to:

- (i) Question 15(b) of the Query Letter, which asked how much nickel ore had been mined to date.

AVQ's answer to that question was '*Approximately 5,000 tonnes*'.

- (ii) Question 16(a) of the Query Letter, which asked AVQ to confirm whether the first shipment of nickel ore is still expected to be made by 31 March 2019.

AVQ's answer to that question was '*The timing of first ore shipment is expected by 31 March 2019, but obviously matters such as adverse weather events may affect final timing.*'

- (iii) Question 16(c) of the Query Letter, which asked AVQ how much nickel ore is expected to be shipped in the first shipment?

AVQ's answer to that question was '*55k WMT*'.

- G. AVQ's announcement titled 'Isabel Nickel Project Update' released on MAP on 22 March 2019 which included the following statements (emphasis added):

- (i) '*There is high demand for the San Jorge product because of its consistent expected quality and nickel grades. Therefore, Axiom's first shipment is not just about revenue, but proving our ability to deliver this consistent expected quality and grade of nickel ore.*

The Solomon Islands national general election scheduled for 3 April 2019 and recent poor weather conditions hampered barge availability and the shipment of ore. This has meant the reschedule of our first shipment of nickel ore to April 2019.

A buyer for the first shipment of nickel is confirmed with subsequent bulk ore carrier ship scheduled for loading between 15 to 20 April 2019.

(the '**April Shipping Information**')

- (ii) '*Quality control is a significant concern to nickel ore consumers given that a lot of nickel laterite miners in the Asia Pacific region cannot guarantee the quality or the ore specifications of the product delivered onto a ship / to the customer. This may be attributable to poor drilling and sampling techniques or, in some cases, no drilling or sampling taking place at all. Therefore, with Axiom's higher standards of operation, preparation and customer service, the Company aims to be*

able to achieve a premium price for the San Jorge product and / or generate and maintain firm demand for the Axiom product from San Jorge.

These initial targeted areas, currently being mined by Axiom, are located close to shore, providing the Company with efficiency benefits, eg. short haul distances and associated savings such as fuel and maintenance costs.'

- H. AVQ's announcement titled 'Entitlement Offer Update - ASIC Interim Stop Order' released on MAP on 25 March 2019 which included the following statement:

'In the meantime, the Company's operations and mining of the San Jorge nickel mine continue with vigour towards the first shipment of nickel ore.'

- I. A copy of correspondence (provided to ASX by AVQ) between an adviser to AVQ and the representative of a potential buyer of the first shipment on 25 March 2019, which includes the following comment from the potential buyer's representative: [they] *'estimate after their visit to site that shipment of 55,000 tonnes by end April would be challenging due to 1) election, 2) weather & 3) equipment for barge not yet in placed [sic].'*

- J. AVQ's request for a trading halt which was received by ASX on 23 April 2019 and granted at 9:26 am on that day (the 'Trading Halt'). AVQ stated that: *'The trading halt is requested pending the release of announcements to the market in relation to a material capital raising and operational update.'*

- K. AVQ's announcement titled 'San Jorge Nickel Mine Update' released on MAP on 24 April 2019 which included the following statements (emphasis added):

- (i) *First customer shipment now scheduled to occur in May 2019*

(the '**May Shipping Information**')

- (ii) *'Ore is being extracted and graded visually by spotters in the mine and by hand-held analysis equipment used by surveyors...*

- (iii) *'Once dried and ready for shipment, the ore will be blended to meet contract requirements. It will then be loaded and trucked from the main stockyards to the port loading area, an approximate distance of 4.9 kms where the material will be transhipped by barges to ocean going vessels for shipment to customers. Arrangements are currently being made for barges to be mobilised to site.*

- (iv) *'Shortly after Axiom first announced in late January 2019 that mining had commenced, the effects of Cyclone Oma hit the Solomon Islands and caused significant disruption to Axiom's mining operations throughout February 2019 due to ground and weather conditions and the unavailability of key marine services.*

Further, in late March and April, operations were affected by the Solomon Islands general election on 3 April 2019, which significantly reduced the availability of inter-island transport to supply labour, necessary materials and consumables required for operations.

The election also required Axiom to release its workforce so they could return to their home islands to vote and participate in the election — a legal requirement. The impact of this was greater than originally planned, particularly on Axiom's ability to recover time lost due to adverse weather events in February and March (noted in ASX announcement dated 22 March 2019).'

- (v) *'(Traxys) has now confirmed that it will buy the first shipment of nickel ore on customary nickel ore trading terms, ... The expected contract volume is 55,000 WMT ...*

In addition, discussions have progressed with regulatory authorities in Solomon Islands in relation to customs, immigration and quarantine inspections for regular vessel movements from San Jorge

and final export permissions. These authorities have advised that vessels for the first two ore shipments will be required to enter and exit at Honiara Port, rather than accessing San Jorge directly. The authorities advised that this is a temporary requirement for administrative reasons and Axiom believes that, after the initial shipments, direct access to San Jorge can occur.

This requirement, combined with the recent Easter holiday period (causing limited availability of Government officials), has resulted in a further delay in the first shipment which is now scheduled to occur in May 2019. Negotiations are ongoing with the Solomon Islands Government for Axiom to be able to improve shipping efficiencies through direct vessel access to San Jorge.'

- (vi) Section 5.3 of the Schedule (Basis for Decision to Mine):

'Investigations undertaken by Axiom

Prior to the Decision to Mine, Axiom had conducted internal investigations and assessments in relation to the proposed technical and operating parameters of the mining operation at San Jorge (Investigations) over a period of more than 4 years ...

The Investigations were conducted by a project team comprising:

- a) Axiom's internal management team in Australia and Solomon Islands including qualified senior geologists, mining engineers, human resources managers, surveyors, marine logistics experts and experienced mining project managers;*
- b) Axiom's financial and Solomon Islands legal advisers and financial modelling consultants; and*
- c) a range of technical consultants with extensive expertise in the commencement and operation of nickel laterite DSO projects, in fields such as geology, mine planning and operations, and shipping and logistics.*

The Decision to Mine was based on the Board's satisfaction with the results of these Investigations.

Current San Jorge Project operations include extraction, road hauling to stockpile points and drying in preparation for loading to barges and transshipment to ocean going vessel. No circumstances have arisen since the commencement of those operations which lead Axiom to believe that the parameters contained in the Investigations are unreasonable.'

- L. AVQ's Quarterly Activities Report for the March 2019 quarter released on MAP on 2 May 2019 which included the following statements (emphasis added):

- (i) *'Operations on the company's San Jorge tenement are moving towards first shipment of ore. Traxys have been confirmed as the purchaser of the first shipment, now expected to be in the latter part of the second quarter of 2019. Earlier estimates of delivery in April 2019 were affected by adverse weather conditions from Cyclone Oma and the country's general election held on 3 April 2019.'*

(together with the statements in sub-paragraphs N(i) and O(i) below, the **'June Shipping Information'**)

- (ii) *'With the anticipated expansion of the mine and the need to be able to potentially manage other nickel projects, Axiom will be adding experienced managers to its nickel mining team in the June 2019 quarter.'*
- (iii) *'During the quarter approximately 6,000 WMT of nickel laterite ore have been mined and extracted, with the majority stockpiled ...*

- M. AVQ's announcement titled 'Additions to the nickel mining team' released on MAP on 3 May 2019 which announced the appointments of Mr Tim Ashworth as Executive General Manager and Mr Michael James as Mine Manager, and included the following statements:

- (i) *'Tim commences work with Axiom this week and will be based on San Jorge Island, Solomon Islands, managing the whole project including mining, barging and shipping operations.'*
- (ii) *'Michael is currently based on San Jorge Island, Solomon Islands.'*
- (iii) *'Mike Strachan, who was General Manager during the initial development phase of the San Jorge mine, is now consulting to Axiom on an as-required basis.'*
- N. AVQ's announcement titled 'Funding Update' released on MAP on 10 May 2019 (the '10 May 2019 Announcement') which included the following statements (emphasis added):
- (i) *'First shipment expected by end of June quarter and close of the Traxys project finance also planned in June quarter'*
- (together with the statements in sub-paragraph L(i) above and sub-paragraph O(i) below, the '**June Shipping Information**')
- (ii) *'As at 29 April 2019, Axiom has extracted and stockpiled around 10,000 WMT of nickel ore. It expects significant operational enhancements and the ending of the wet season will result in significantly improved production rates during the June quarter.'*
- (iii) *'The material assumptions are: ...*
- *The first shipment is delivered in the June quarter, necessary regulatory consents are issued and Traxys buys the first shipment on terms announced (see above). Each of these actions are currently progressing.*
 - *In relation to the net proceeds from the first shipment:*
- | | |
|--------------|---|
| Grade | <i>1.6% nickel content to be achieved by targeting higher nickel grade saprolite which can be identified at the time of extraction by visual and technical means ...'</i> |
|--------------|---|
- O. AVQ's Cleansing Prospectus and Attaching Options Entitlement Offer released on MAP on 10 May 2019 and lodged with ASIC on the same day, which included the following statements (emphasis added):
- (i) *'Axiom's first shipment of nickel ore is expected for delivery in the June quarter which will, if achieved, provide cash inflow from the net sale proceeds.'*
- (together with the statements in sub-paragraphs L(i) and N(i) above, the '**June Shipping Information**')
- (ii) **'Continuous disclosure and inspection of documents**
- The Company is a disclosing entity for the purpose of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or value of the securities in the Company.*
- Having taken such precautions and having made all enquiries as are reasonable, the Company believes that it has complied with the general and specific disclosure requirements of the Corporations Act and Listing Rules, which require the Company to notify ASX of information about specific events or matters as they arise, for the purpose of ASX making that information available to the market conducted by ASX.'*
- P. AVQ's reinstatement to official quotation at the commencement of trade on 13 May 2019 following the release by AVQ of an announcement regarding funding and the lodgement of a supplementary prospectus and a prospectus with ASIC.

Q. AVQ's announcement titled 'Entitlement Offer and Update' released on MAP on 17 May 2019 which included the following statements (emphasis added):

(i) *'Changes to pre-shipment assay plan means first shipment now expected around end of July 2019.'*
(the 'July Shipping Information')

(ii) **'Operations update**

As at 16 May 2019, Axiom has extracted and stockpiled approximately 18,500 wmt of nickel ore and extraction is currently occurring at rate of approximately 1,600 wmt per day.

Additional mining fleet of approximately 4 to 6 trucks and 2 excavators will be introduced to the mine site in late May. This will increase the rate of production to approximately more than double the current rate.

A key step prior to first shipment is to assay the stockpile for grade for assurance to customers that the product meets contract specifications and to allow for efficient blend of stockpiles. The target grade is 1.6% nickel content ...

For the assay of product for sale and shipment however Axiom's plan was, in the initial stages of the operation, to adopt a low cost approach and assay on site using non-specialist equipment to prepare samples (including manually pulverising samples and drying samples) and then to assay the samples using hand held analysis equipment. This low cost approach was adopted based on the experience of Axiom's former General Manager (now consultant to Axiom) in nickel laterite operations in Indonesia. ..

As announced on 3 May 2019, a new mine management team was appointed.

Following a review of the mine plan which is ongoing and the recommendations of the new team, Axiom has decided to change its assay plan to bring forward the establishment of its on-site assay capability using specialist equipment and to use that capability to assay the ore designated for the first shipment.

This change of approach will involve sourcing industrial laboratory and sample preparation equipment and mobilising it to site. Equipment has been identified and will be mobilised to site and established within a few weeks of acquisition. Assays using the new on site equipment and facility can then either be conducted by external assay consultants or Axiom's own technical personnel.

The new mining team has also identified improvements that need to be made to the survey of the pits currently being used for extraction, to assist grade control. A training program for the local surveying team has been established to provide for more efficient technical reporting and execution of grade control programs ...

Although the time required to put in place the specialist assay equipment and capability is not expected to interfere materially with extraction operations, it is expected to delay the first shipment as the product will need to be assayed using the new facilities, before delivery.'

R. 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.

S. 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.’

- T. 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.’

- U. ASX’s policy position on the concept of ‘confidentiality’, which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

‘Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.’

Based solely on the nickel ore extracted from the San Jorge Project as at 14 March 2019, 31 March 2019, 29 April 2019 and 16 May 2019, the first shipment contract volume of 55,000 wmt of nickel ore, the current extraction rate of ~1,600 wmt/day, and the calculations in the table below, it seems reasonable to assume that AVQ would or should have been aware that it would need to revise the:

- the March Quarter Shipping Information prior to 22 March 2019;
- the April Shipping Information prior to 24 April 2019; and
- the May Shipping Information prior to 2 May 2019.

ASX notes that the calculations below do not take into account other factors which would have further delayed the shipping timeframes provided by AVQ, including (but not limited to) ore drying, ore grading, the requirement for 1.6% nickel content, transportation time, and obtaining the requisite government permits and approvals. Accordingly, these factors appear to heighten the reasonableness of the assumption that AVQ would or should have been aware that it would need to revise the relevant shipping information prior to the corresponding revision dates noted above. Furthermore, it also seems reasonable to assume that AVQ would or should have been aware that it would need to revise the June Shipping Information prior to 17 May 2019 based on the required extraction rate in combination with the aforementioned factors.

Date	Ore extracted (wmt)	Remaining Ore to extract (wmt)	Time to shipping date (business days)	Required extraction rate	> current rate (~1,600 wmt/day)*	> expected rate** (~3,200 wmt/day)
14 March 2019	5,000	50,000	11 days (to 31 March)	4,545 wmt/day (for 31 March shipping)	✓	✓
31 March 2019 (for 1 January-31 March)	6,000	49,000	14 days (to 20 April)	3,500 wmt/day (for 20 April shipping)	✓	✓
29 April 2019	10,000	45,000	24 days (to 31 May)	1,875 wmt/day (for 31 May shipping)	✓	
16 May 2019	18,500	36,500	30 days (to 30 June)	1,216 wmt/day (for 30 June shipping)		

*current extraction rate as at 16 May 2019 (see sub-paragraph Q(ii) above) **expected extraction rate following introduction of additional mining fleet in late May (see sub-paragraph Q(ii) above)

Request for Information

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

- Does AVQ consider the March Quarter Shipping Information, the April Shipping Information, the May Shipping Information, the June Shipping Information and the July Shipping Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
- If the answer to question 1 is 'no', please advise the basis for that view.
- If the answer to question 1 is 'yes':
 - When did AVQ first become aware that March Quarter Shipping Information (see paragraph B above) would need to be revised?

If AVQ first became aware that the March Quarter Shipping Information would need to be revised prior to 22 March 2019, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AVQ was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AVQ took to ensure that the information was released promptly and without delay.
 - When did AVQ first become aware that April Shipping Information (see sub-paragraph G(i) above) would need to be revised?

If AVQ first became aware that the April Shipping Information would need to be revised prior to 24 April 2019, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AVQ was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AVQ took to ensure that the information was released promptly and without delay.
 - When did AVQ first become aware that May Shipping Information (see sub-paragraph K(i) above) would need to be revised?

If AVQ first became aware that the May Shipping Information would need to be revised prior to 2 May 2019, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AVQ was obliged to release the information under

Listing Rules 3.1 and 3.1A and what steps AVQ took to ensure that the information was released promptly and without delay.

- (d) When did AVQ first become aware that June Shipping Information (see sub-paragraphs L(i), N(i) and O(i) above) would need to be revised?

If AVQ first became aware that the June Shipping Information would need to be revised prior to 17 May 2019, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AVQ was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AVQ took to ensure that the information was released promptly and without delay.

4. On what basis did AVQ determine the following information:

- (a) the March Quarter Shipping Information;
- (b) the April Shipping Information;
- (c) the May Shipping Information;
- (d) the June Shipping Information; and
- (e) the July Shipping Information.

For each of (a)-(e) above, please detail any underlying assumptions that AVQ made including (but not limited to) daily/weekly ore extraction rates; stockpiling rates; ore drying rates; ore grade; transportation timeframes (hauling, loading, barging and unloading/re-loading); availability of vessels to take the shipment; and receipt of government permits.

5. Given AVQ has operated in the Solomon Islands for many years, and conducted a four year 'internal investigation' by an experienced project team comprising, amongst others, qualified senior geologists and mining engineers, and 'a range of technical consultants with extensive expertise in the commencement and operation of nickel laterite DSO projects, in fields such as geology, mine planning and operations, and shipping and logistics' (see sub-paragraph K(vi) above):

- (a) Why didn't it adequately account for the impact of the following events when determining the March Quarter Shipping Information and the April Shipping Information:
 - (i) weather events arising during the wet season?
 - (ii) the 2019 Election?
 - (iii) Easter?
- (b) Why has it only now been decided, after AVQ appointed a new mine management team in early May, to adopt a more technical and specialist on-site assay capability? AVQ's disclosure of the July Shipping Information on 17 May 2019 attributes its failure to meet the previous revised shipping deadline to the adoption of this new assay plan (see sub-paragraph Q(ii) above), and, as such, ASX considers it incumbent on AVQ to explain how its four year investigation was reasonable given it failed to anticipate this need.

6. Did AVQ consider revising the April Shipping Information immediately following the comment from the potential buyer on 25 March 2019 (see paragraph I above)?

If the answer to this question is 'no', please explain why the comment was not immediately considered.

If the answer to this question is 'yes', please explain why the April Shipping Information was not revised until 24 April 2019.

-
7. ASX notes that AVQ announced the May Shipping Information on 24 April 2019, and shortly thereafter announced the June Shipping Information (on 2 May 2019 and reiterated on 10 May 2019), and the July Shipping Information (on 17 May 2019).
- Please explain why AVQ revised its shipping information on three (3) occasions over a period of approximately 3 weeks.
8. Why didn't AVQ disclose the following matters in the 10 May 2019 Announcement:
- (a) that the new mine management team was undertaking a review of the mine plan?
 - (b) the anticipated timing of completion of the review (or the key components thereof)?
 - (c) the potential implications of any adverse findings regarding the current mine plan and the associated remedial recommendations?
9. What is the estimated grade of the 18,500 wmt of nickel ore that has been extracted and stockpiled (as at 16 May 2019)?
- Please provide a copy of the results of the assayed samples taken from the stockpiled ore to date using the hand held analysis equipment (not for release to the market).
10. How long is it taking for the stockpiled ore to reach an acceptable shipping moisture content?
11. Are appropriately skilled and experienced professionals available to operate both the existing mining fleet and additional mining fleet due in late May?
12. When will the on-site assay capability using specialist equipment be operational?
13. Please provide copies of the following (not for release to the market):
- (a) the agreement or arrangement with Traxys for the first shipment;
 - (b) correspondence between AVQ and Traxys since 1 April 2019 in relation to the first shipment and its due diligence;
 - (c) correspondence between AVQ and the relevant Solomon Islands government departments or authorities regarding the requirement for the first two shipments to enter and exit at Honiara Port, and the necessary regulatory approvals for the first shipment; and
 - (d) correspondence between the new mine management team and AVQ's senior management/directors since their appointment.
14. Please confirm that AVQ is complying with the Listing Rules and, in particular, Listing Rule 3.1.
15. 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 **12:00 pm AEST on Monday, 27 May 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in AVQ's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AVQ's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph.

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)