**Axiom Mining Limited**
ARBN 119 698 770

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Solomon Islands

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Spring Hill QLD 4000
Australia

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www.axiom-mining.com

**3 January 2017**

# ASX Announcement

## Audited Financial Statements - Year Ended 30 September 2016

Axiom Mining Limited ('the Company') is pleased to provide the audited Consolidated Financial Statements the year ended 30 September 2016 in accordance with ASX Listing Rule 4.5.2 and Australian Corporations Act 2001 section 601CK.

The Company expects to hold its Annual General Meeting by the end of March 2017.

The Company will provide a Notice of Meeting and an Annual Report which will include additional information. Shareholders will be advised when this meeting date has been determined and when the Annual Report is available.

**ENDS**

# AXIOM MINING LIMITED

**(INCORPORATED IN HONG KONG)**

**ABN: 81 119 698 770**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**All amounts in these financial statements are in Australian dollars unless otherwise stated.**

## Contents

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

## Directors

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

***Robert Barraket***

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

*Chairman and Non-Executive Director (age 71)*

Robert was appointed Chairman of Axiom Mining Limited on the 19 February 2016. He has 50 years' experience in legal practice including the establishment of two successful legal firms. He has been legal advisor to numerous international and Australian mining and mineral exploration companies with interests in Australia and abroad. He was a Senior Founding Partner and Chairman of Barraket Stanton Lawyers in Sydney and retired from the legal practice on the 1 December 2016.

Other current directorships:

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

***Ryan Richard Mount***

*Executive Director and Chief Executive Officer (age 37)*

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

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

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

Other directorships:

- Nil

***Jeremy Robin Gray***

*(Honours degree in Finance from Melbourne University)*

*Non-Executive Director (age 46)*

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

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

Jeremy is also currently Managing Partner of Chancery Asset Management.

Other directorships:

- Nil

## Former Director

***Stephen Ray Williams***

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

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

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

In accordance with articles 114 and 115 of the Company's articles of association, Mr Robert Barraket and Mr Ryan Richard Mount were re-elected at the last annual general meeting. The non-executive directors and executive directors are appointed for a period of three years.

## Directors' shareholdings

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

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

## Directors' interests

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

### Directors' interests in contracts

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

### Directors' meetings

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

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

**Notes:**

**A –** Number of meetings attended.

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

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

### Company Secretary

***Boacoh Secretarial Limited (Company Secretary)***

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

***David Kinsman (Local Agent)***

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

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

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

### Principal activities

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

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

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

## Operating and Financial Review

### Results of operations

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

*Isabel Nickel Project*

*Kolosori Deposit*

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

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

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

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

*San Jorge Deposit*

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

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

*Other Exploration Areas*

*West Guadalcanal Project*

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

### Share capital

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

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

### Changes in the state of affairs

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

### Dividends

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

### Events subsequent to period end

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

### Proceedings on behalf of Company

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

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

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

Apart from the matters discussed, no person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of such proceedings.

### Likely developments and expected results

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

### Environmental regulation

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

### Auditors

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

### Other transactions with KMP and their related parties

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

### Indemnification of officers and auditors

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

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

Robert Barraket
Chairman

Brisbane, Australia
31 December 2016

ZENITH 诚丰
ASSURANCE I TRANSACTIONS I ADVISORY

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

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

**Directors' responsibility for the consolidated financial statements**

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

**Auditor's responsibility**

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

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

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

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


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ZENITH 诚丰
ASSURANCE I TRANSACTIONS I ADVISORY

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

**Opinion**

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

**Emphasis of matter**

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

Zenith

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


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## Axiom Mining Limited
## Consolidated statement of profit or loss
## For the year ended 30 September 2016

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

# Axiom Mining Limited
## Consolidated statement of comprehensive income
## For the year ended 30 September 2016

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

# Axiom Mining Limited
## Consolidated statement of financial position
## As at 30 September 2016

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

Ryan Richard Mount
Director

Robert Barraket
Director

# Axiom Mining Limited
## Consolidated statement of changes in equity
**For the year ended 30 September 2016**

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

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

## Axiom Mining Limited
## Consolidated statement of cash flows
## For the year ended 30 September 2016

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

## 1 Company information

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

| | |
|---|---|
| Registered office: | 2303-7 Dominion Centre, 43-59 Queen's Road East, Hong Kong. |
| Registered office in Australia: | Level 6, 15 Astor Terrace, Spring Hill QLD 4000, Australia. |
| Principal place of business: | Upper Level, Solomon Post Haus, Mendana Avenue, Honiara, Solomon Islands. |

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

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

## 2 Basis of presentation

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

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

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

### 3.1 Statement of compliance

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

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

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

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

### 3.2 Changes in accounting policies and disclosures

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

| | |
|---|---|
| Amendments to HKAS 19 | *Defined benefit plans: Employee contributions* |
| Annual Improvements 2010-2012 Cycle | Amendments to a number of HKFRSs |
| Annual Improvements 2011-2013 Cycle | Amendments to a number of HKFRSs |

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

### 3.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment*[4] |
| HKFRS 9 | Financial Instruments[4] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | *Investment Entities: Applying the Consolidation Exception*[1] |

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

| | |
|---|---|
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations*[1] |
| HKFRS 14 | *Regulatory Deferral Accounts*[2] |
| HKFRS 15 | *Revenue from Contracts with Customers*[4] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15*[4] |
| HKFRS 16 | *Leases*[5] |
| Amendments to HKAS 1 | *Disclosure Initiative*[1] |
| Amendments to HKAS 7 | *Disclosure Initiative*[3] |
| Amendments to HKAS 12 | *Deferred Tax: Recovery of Underlying Assets*[3] |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortization*[1] |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants*[1] |
| Amendments to HKAS 27 | *Equity Method in Separate Financial Statements*[1] |
| Annual Improvements 2012-2014 Cycle | *Amendments to a number of HKFRSs*[1] |

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after January 2018
5 Effective for annual periods beginning on or after January 2019
6 No mandatory effective date yet determined but available for early adoption

***HKFRS 9: Financial Instruments and associated Amending Standards***

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

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

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

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

***HKFRS 15: Revenue from Contracts with Customers***

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

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

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

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

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

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

***HKFRS 16: Leases***

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

The main changes introduced by the new Standard include:

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

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

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

***HKFRS 16: Leases (continued)***

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

## 4 Significant accounting policies

### (a) Principles of consolidation

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

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

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

### (b) Business combinations

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

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

#### 4 Significant accounting policies (continued)

#### (b) Business combinations (continued)

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

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

#### (c) Fair value of assets and liabilities

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

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

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

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

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

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

## 4 Significant accounting policies (continued)

### (d) Property, plant and equipment

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

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

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

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

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

- Plant and equipment 20% - 33%

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

### (e) Mineral exploration expenditure

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

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

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

## 4 Significant accounting policies (continued)

### (e) Mineral exploration expenditure (continued)

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

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

### (f) Leases

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

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

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates that write-off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 4(d). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### 4 Significant accounting policies (continued)

### (f) Leases (continued)

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

### (g) Impairment of assets

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

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

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

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

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

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

## 4 Significant accounting policies (continued)

### (g) Impairment of assets (continued)

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

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

#### (ii) Impairment of mineral exploration expenditure

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

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

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

#### (iii) Impairment of other assets

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

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

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

## 4 Significant accounting policies (continued)

### (g) Impairment of assets (continued)

### (iii) Impairment of other assets (continued)

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

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

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

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

### (h) Income tax

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

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

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

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

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

## 4 Significant accounting policies (continued)

### (h) Income tax (continued)

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

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

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

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

### (i) Other receivables

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

### (j) Other payables

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

### (k) Cash and cash equivalents

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

## 4 Significant accounting policies (continued)

### (l) Employee benefits

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

***Short-term employee benefits***

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

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

***Other long-term employee benefits***

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

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

### (m) Share-based payments

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

## 4 Significant accounting policies (continued)

### (m) Share-based payments (continued)

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

### (n) Goods and services tax (GST)

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

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

### (o) Provisions and contingent liabilities

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

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

### (p) Revenue recognition

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

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

## 4 Significant accounting policies (continued)

### (q) Translation of foreign currencies

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

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

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

### (r) Earnings per share

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

### (s) Segmental reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocated resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.
Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 4 Significant accounting policies (continued)

### (t) Convertible notes

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

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

The derivative component is subsequently re-measured in accordance with Note 4(u). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.
If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

### (u) Derivative financial instruments

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

## 5 Segment information

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

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

The operating segments are identified by management based on the manner in which the expenses are incurred and resources allocated. Discrete financial information about each of these operating segments is reported to the Board on a regular basis.
The reportable segments are based on aggregated operating segments determined by similarity of expenses, where expenses in the reportable segments exceed 10% of the total expenses for either the current and/or previous reporting period.

## 5 Segment information (continued)

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

## 6 Loss for the year

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

## 7 Tax expense

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

## 8 Loss per share

### (a) Basic loss per share

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

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

## 8 Loss per share (continued)

### Weighted average number of *ordinary shares*

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

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

### (b) Diluted loss per share

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

## 9 Cash and cash equivalents

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

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

## 10 Other receivables

| | 2016<br>$000 | 2015<br>$000 |
|---|---|---|
| Other receivables | 298 | 964 |

### Terms and conditions

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

## 11 Investments in subsidiaries

Details of the subsidiaries are as follows:

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

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

## 11 Investments in subsidiaries (continued)

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

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

### 12 Property, plant and equipment

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

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

## 13 Mineral exploration expenditure

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

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

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

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

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

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

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

## 14 Trade and other payables

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

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

## 14 Trade and other payables (continued)

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

Non-Current

| | 2016<br>$000 | 2015<br>$000 |
|---|---|---|
| Other payables and accruals | 243 | - |

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

## 15 Borrowings

| | 2016<br>$000 | 2015<br>$000 |
|---|---|---|
| Convertible Notes (includes embedded derivative component) | - | 1,132 |

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

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

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

## 16 Capitalised lease liabilities

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

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

### 16 Capitalised lease liabilities (continued)

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

### 17 Provisions

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

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

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

### 18 Capital and reserves

#### a) Authorised and issued share capital

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

## 18 Capital and reserves (continued)

### a) Authorised and issued share capital (continued)

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

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

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

## 18 Capital and reserves (continued)

### b) Reserves

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

### Nature and purpose of reserves

**(i) Foreign currency translation reserve**

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

**(ii) Share-based payments reserve**

The share-based payments reserve is used to recognise:

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

### c) Distributability of reserves

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

## 18 Capital and reserves (continued)

### d) Options

Details of the movements in options are as follows:

| | Grant Date | Expiry Date | No. of options outstanding as at 1/10/2015 | Exercise price | Granted during the year | Exercised during the period | Expired during the year | No. of options outstanding as at 30/09/2016 |
|---|---|---|---|---|---|---|---|---|
| Consultants | 24/09/12 | 20/12/15 | 133,333 | 0.3000 | | | 133,333 | |
| Options attached to private placement | 04/03/13 | 15/02/16 | 1,666,667 | 0.3000 | | | 1,666,667 | |
| Consultants | 04/03/13 | 15/02/16 | 1,666,666 | 0.3000 | | | 1,666,666 | |
| Consultants | 10/02/14 | 10/02/17 | 883,333 | 0.2805 | | | | 883,333 |
| Options attached to convertible notes | 02/06/15 | 31/05/16 | 2,000,000 | 0.3000 | | | 2,000,000 | |
| Consultants | 10/07/15 | 31/05/16 | 3,000,000 | 0.4000 | | | 3,000,000 | |
| Consultants | 10/07/15 | 31/05/16 | 4,500,000 | 0.5500 | | | 4,500,000 | |
| Consultants | 10/07/15 | 31/05/16 | 666,666 | 0.1750 | | | 666,666 | |
| Consultants | 10/07/15 | 31/05/16 | 400,000 | 0.3500 | | | 400,000 | |
| Consultants | 10/07/15 | 31/05/16 | 100,000 | 0.5000 | | | 100,000 | |
| Options attached to private placement | 16/10/15 | 31/03/16 | | 0.3000 | 22,525,215 | 166,667 | 22,358,548 | |
| Consultants | 11/12/15 | 30/11/17 | | 0.3000 | 1,333,000 | | | 1,333,000 |
| Options attached to private placement | 31/03/16 | 30/09/16 | | 0.3000 | 22,358,548 | | 22,358,548 | |
| Consultants | 31/03/16 | 30/03/18 | | 0.4500 | 300,000 | | | 300,000 |
| Options approved at AGM | 29/04/16 | 31/03/17 | | 0.4500 | 28,402,530 | 25,000 | | 28,377,530 |
| Consultants | 28/04/16 | 20/04/17 | | 0.2000 | 500,000 | | | 500,000 |
| Options attached to private placement | 12/05/16 | 30/03/26 | | 0.3000 | 28,638,893 | | | 28,638,893 |
| Options attached to private placement | 12/05/16 | 30/03/26 | | 0.4000 | 28,638,893 | | | 28,638,893 |
| Options attached to private placement | 12/05/16 | 30/03/26 | | 0.5000 | 28,638,893 | | | 28,638,893 |
| Options attached to private placement | 12/05/16 | 30/03/26 | | 0.6000 | 28,638,893 | | | 28,638,893 |
| Options attached to private placement | 10/06/16 | 30/03/26 | | 0.3000 | 1,666,668 | | | 1,666,668 |
| Options attached to private placement | 10/06/16 | 30/03/26 | | 0.4000 | 1,666,668 | | | 1,666,668 |
| Options attached to private placement | 10/06/16 | 30/03/26 | | 0.5000 | 1,666,668 | | | 1,666,668 |
| Options attached to private placement | 10/06/16 | 30/03/26 | | 0.6000 | 1,666,668 | | | 1,666,668 |
| Options attached to private placement | 04/08/16 | 28/07/18 | | 0.4000 | 8,928,592 | | | 8,928,592 |
| Options attached to private placement | 04/08/16 | 30/11/27 | | 0.3000 | 800,000 | | | 800,000 |
| * Post consolidation | | | 15,016,665 | | 206,370,129 | 191,667 | 58,850,428 | 162,344,699 |

## 18 Capital and reserves (continued)

### d) Options (continued)

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

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

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

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

### e) Performance rights

Details of the movements in rights granted are as follows:

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

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

## 19 Capital management

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

### 19 Capital management (continued)

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

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

### 20 Commitments

#### a) Expenditure commitments

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

| | 2016<br>$000 | 2015<br>$000 |
|---|---|---|
| Within one year | 565 | 750 |
| After one year but within five years | 480 | 1,571 |
| | 1,045 | 2,321 |

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

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

#### b) Operating lease commitments

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

## 20 Commitments (continued)

### b) Operating lease commitments (continued)

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

| | 2016<br>$000 | 2015<br>$000 |
|---|---|---|
| Within one year | 186 | 50 |
| After one year but within five years | 498 | - |
| | 684 | 50 |

## 21 Related parties

### a) Transactions with related parties

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

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

### b) Director remuneration summary

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

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

## 21 Related parties (continued)

### c) KMP remuneration summary

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

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

Performance rights issued will automatically vest into fully paid ordinary shares upon specific market hurdle conditions being achieved. The amounts that appear are amounts required to be expensed by the Company in respect of the allocation of long term incentives. Whether or not these performance rights are received will depend on achieving appropriate vesting conditions as discussed above. No performance rights were exercised during the year.

## 22 Financial risk management and fair values

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

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

### a) Credit risk

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

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

### 22 Financial risk management and fair values (continued)

#### a) Credit risk (continued)

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

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

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

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

#### b) Liquidity risk

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

The Group manages this risk through the following mechanisms:

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

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

## 22 Financial risk management and fair values (continued)

### c) Interest rate risk

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

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

[1] At floating interest rates
[2] At fixed interest rates

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

### d) Currency risk

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

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

## 22 Financial risk management and fair values (continued)

### e) Fair values

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

## 23 Contingent assets and contingent liabilities

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

## 24 Subsequent events

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

## 25 Significant accounting estimates and judgements

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

### a) Impairment of non-financial assets

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

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

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

## 25 Significant accounting estimates and judgements (continued)

### b) Impairment of non-financial assets

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

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

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

### c) Useful lives of property, plant and equipment

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

### d) Income tax

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

## 26 Fair value

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

- Embedded derivative liability (at fair value);

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

### Fair Value Hierarchy

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

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

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

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

| | Note | 2016<br>$000 | 2015<br>$000 |
|---|---|---|---|
| *Financial liabilities* | | | |
| - Embedded derivative liability (fair value) | 15 | - | 581 |

## 27 Statement of financial position of the Company

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

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

**Ryan Richard Mount**
**Director**

**Robert Barraket**
**Director**

### 27 Statement of financial position of the Company (continued)

Note:

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

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

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

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

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

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

Nil (2015: nil)

### 28 Approval of the financial statements

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