

Litigation Proceedings and Capital Raising Update

HIGHLIGHTS

- Hearing commenced on 14 October and continues
 - Recent Court of Appeal decision regarding registered land in the Solomon Islands reinforces Axiom's legal position
 - \$2m secured in commitments for any Rights Issue shortfall
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LITIGATION PROCEEDINGS

The trial continues in the Solomon Islands High Court case 258/11 of SMM Solomon Limited ("**SMM**") and others v Axiom KB Limited ("**Axiom**") and others.

Background of the Solomon Islands High Court Case 285/11

The proceedings were commenced by SMM, a subsidiary of Sumitomo Mining Metal Co., Ltd and the second to seventh claimants who assert they are the proper representatives of the landowning groups of the Kolosori land over which Axiom has obtained a registered lease and prospecting licence.

The first to fourth defendants are the Solomon Island Government parties ("**SIG**"), the fifth defendant is Pacific Investment and Development Limited, the sixth defendant is Axiom and the seventh defendants are the owners of a registered perpetual estate in the Kolosori land, the subject of the litigation ("**Kolosori Land**").

The fifth defendant has not taken an active part in the litigation and is not being represented at the trial. During the trial the High Court was informed that the sixth claimant was not proceeding with her claim.

Bugotu Minerals Limited ("**BML**") filed a cross claim in the proceedings claiming certain rights, in the event that proceedings are not successful by SMM. The defendants to the cross claim are all of the other parties to the main proceedings commenced by SMM.



SMM's Claims

The proceedings specifically relate to:

- the cancellation of an award of an international tender to SMM in relation to land in San Jorge (part of which is Bungusule Land), Jejevo and Takata which included the Kolosori Land ("**Tender Areas**");
- the letter of intent whereby the Minister of Mines Energy and Rural Electrification agreed to grant a prospecting licence to SMM subject to SMM obtaining surface access agreements from the relevant landowners ("**LOI**"); and
- the registration of the Kolosori Land by the seventh defendants and the granting of a registered lease by the seventh defendants to Axiom.

In the proceedings, the claimants essentially seek following orders:

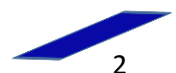
- quashing the Mineral Board's decision to cancel SMM's LOI issued by the Minister pursuant to international tender which was awarded to SMM in respect of the Takata, San Jorge and Jejevo areas in Isabel province; and
- setting aside the registration of the Kolosori Land and Axiom's registered lease over the Kolosori Land.

Axiom's Defence

Axiom is defending the proceedings, broadly on the following bases:

Mining Issues

- The international tender notice was invalid including for the reason that the Minister did not at any time specify any area as a proposed area for prospecting by notice in the Gazette or otherwise as required by clause 3B(1) of the *Mines and Minerals Regulations* and the whole tender process has miscarried;
- The Director of Mines was obliged to reject SMM's tender under the "land banking" rule in section 20(5)(c) the *Mines and Minerals Act (SI)* ("**MM Act**"). Axiom asserts this rule applies because SMM held three or more prospecting licences at the time;
- Upon it being granted the award of the international tender, SMM was required to lodge an application for prospecting licence. SMM failed to do this and as a consequence, the LOI granted to SMM lapsed;
- The Minister was entitled to cancel the award of the international tender to SMM and withdraw the LOI from SMM; and
- Axiom's registered lease and prospecting licence are valid.



Land Issues

- The *Land and Titles Act (SI)* (“**LT Act**”) adopts a Torrens system, by which title to land is guaranteed through a process of registration;
- Axiom, in obtaining a registered lease, dealt with the registered owners of the Kolosori Land being the seventh defendants and was not required to go behind the register;
- Axiom was also confident that it dealt with the true representatives of the landowners;

In the event that SMM’s claims fail, BML’s cross claim essentially seeks priority over SMM and Axiom in respect of its application for a mineral right over certain areas in Isabel province including the Kolosori Land.

Status of the Trial

The trial commenced on 14 October 2013 and initially dealt with various preliminary applications by Axiom and the SMM’s opening.

There was a break in the trial from 4 November to 12 November to allow for the Court of Appeal to sit in their bi-annual hearings.

The trial resumed on 13 November and SMM’s witnesses are currently giving evidence to the Court. The defendants’ witnesses, including Axiom, may then give evidence in their respective cases after SMM closes its case in the trial.

Extension of Axiom’s Prospecting Licence

In October 2013, Axiom filed an application seeking an order that the injunction restraining it be varied and partially discharged. One of the reasons for making this application was because, even if Axiom is successful at trial, the injunction may have rendered any success nugatory as Axiom’s prospecting licence was due to expire on 14 April 2014.

His Lordship Commissioner Brown made an order that Axiom’s prospecting licence be extended to 6 January 2017 or such later date as is 2 years and 267 days after the final judgment if Axiom is successful.

Order for Security for Costs Obtained By Axiom against BML

On 30 October 2013, Axiom obtained an order that the cross claimant, BML, provide security for Axiom’s costs in the amount of SBD\$430,000 (approximately AUD\$64,000) on or before Tuesday 12 November 2013.



BML has not yet complied with the order and as a result of the court rules, BML's cross claim against Axiom KB is presently stayed. Axiom has subsequently applied to the Court to have BML's cross claim against it dismissed. This application has yet to be heard by the Court.

Recent Court of Appeal Ruling

The Solomon Islands Court of Appeal is the highest Court of Solomon Islands and the High Court is subject to its rulings where it is relevant.

On 8 November 2013, the Court of Appeal delivered a judgment in *Lever Solomons Limited v Attorney General*.

The case related to registered land owned by Lever Solomons Limited. The Appeal was against a High Court decision by former Justice David Chetwynd.

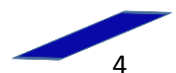
The Court of Appeal judgement stated the following:

"We have already noted the indefeasibility conferred by registration and the certainty created by the register. It is clearly intended so that person dealing with registered owners do not have to go behind the register. We cite, and agree with the following passage from paragraph 68 of the appellant's written submission:

The register is both conclusive and exhaustive and searches and investigations beyond the register should be unnecessary: *Westfield Management Ltd v Perpetual Trustee Co* (2007) 233 CLR 528 at [39]. Title is comprised by the record contained in the register and it is this which is the source of the title rather than a retrospective approbation of a derivative right: *Peldan v Anderson* (2006) 227 CLR 471 at [20] per Gummow A-CJ, Kirby, Hayne, Callinan and Crennan JJ. The very purpose of the system is to give effect to the important public policy "that the land title register should be sufficient of itself to inform those concerned about the nature and extent of any outstanding interest in relation to the land": *Queensland Premier Mines Pty Ltd v French* (2007) 235 CLR 81 at [14] per Kirby J. The "principal way in which the legislation has achieved its objects has been the elevation of the Register above all else" such that the "Register has the first and the last word on all relevant titles and interests": *Black v Garnock* (2007) 230 CLR 438 at [75] per Callinan J. As made clear in *Manepora'a v Aonima* [2011] SBHC 79, once a person becomes registered as the owner of an interest under the LT Act, he has absolute liberty to deal with that interest according to the title which attaches to it under the LT Act and an innocent party is not bound to look beyond the register."

The court ruled in the appellant's (registered landowner's) favour.

This decision reinforces Axiom's case in that its 50 year registered lease is indefeasible.





CAPITAL RAISING

Costs of the Litigation Proceedings

Whilst the Company is monitoring closely the progress of the proceedings and the costs being incurred, these costs will exceed the Company's present estimates provided in the latest quarterly report, which will impact on the Company's cash outflows that will be incurred in this quarter if the trial continues to run its full course.

Nevertheless, whilst the Board is committed to manage the process, it is resolved to enforce the legal rights of Axiom to achieve a successful outcome. The Board is mindful of the costs being incurred and will continue to manage that process, but is also committed to achieve an outcome which properly reflects the value of the asset.

Rights Issue

So that shareholders can be more fully informed of the progress of the proceedings and to enable them to make an informed judgement the Company has extended the Closing Date for the Rights Issue to Monday 25 November 2013.

Notwithstanding, the Company has secured firm commitments of \$2m, net of fees payable, to place any shortfall in the Rights Issue to ensure continued funding of the proceedings and ongoing working capital costs to achieve a result for shareholders.

Axiom's CEO, Mr Ryan Mount said: "We are pleased with recent events such as having secured an extension to our prospecting licence pending the outcome of the trial and the recent Court of Appeal decision which reinforces Axiom's position as to the validity of our 50 year lease."

He further added: "It is important to understand that in Solomon Islands landowner support and consent is a prerequisite to exploration and mining. Our position as 50 year registered lease holder puts us in an excellent position to make this world class deposit a commercial reality not just for Axiom but also for the people of the Solomon Islands as a whole."

ENDS

About Axiom Mining Limited

Axiom Mining Limited focuses on tapping into the resource potential within the mineral-rich Pacific Rim. Through dedication to forging strong bonds and relationships with the local communities and governments where we operate, Axiom Mining has built a diversified portfolio of exploration tenements in the Asia Pacific region. This includes interest in the Isabel nickel deposits, the Arosi gold-silver project and the Itina gold-copper project in the Solomon Islands. The Company also owns all or majority holdings in Vietnam's Quang Tri gold project and highly prospective gold silver and copper tenements in North Queensland, Australia. The Company is listed on the ASX.

For more information on Axiom Mining and details on our activities, please refer to our company website at www.axiom-mining.com

Disclaimer

Statements in this document that are forward-looking and involve numerous risks and uncertainties that could cause actual results to differ materially from expected results are based on the Company's current beliefs and assumptions regarding a large number of factors affecting its business. There can be no assurance that (i) the Company has correctly measured or identified all of the factors affecting its business or their extent or likely impact; (ii) the publicly available information with respect to these factors on which the Company's analysis is based is complete or accurate; (iii) the Company's analysis is correct; or (iv) the Company's strategy, which is based in part on this analysis, will be successful.