Axiom Mining Limited
ARBN 119 698 770

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Solomon Islands

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Australia

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29 December 2017

ASX Announcement

Audited Financial Statements - Year Ended 30 September 2017

Axiom Mining Limited ('the Company') is pleased to provide the audited Consolidated Financial Statements the year ended 30 September 2017 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 2018.

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

ARBN: 119 698 770

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 2017.

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 72)

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.

Previous directorships:

- Mantle Mining Corporation Limited and Morning Star Gold NL (wholly owned subsidiary) – (Former Chairman and Non-Executive Director) Resigned August 2017.

Ryan Richard Mount

Executive Director and Chief Executive Officer (age 38)

Ryan joined Axiom 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 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 47)

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:

- Orinoco Gold Limited - (Managing Director)
- White Rock Minerals Ltd- (Non-Executive Director)

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 Number	Share rights/options Number
Robert Barraket	Nil	500,000
Ryan Richard Mount	1,985,031	5,231,928
Jeremy Robin Gray	603,306	2,472,224

Directors' interests

Save as disclosed in Note 21(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 4 (four) meetings of Directors by attendance or teleconference. 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	4	4	2	2
Ryan Richard Mount	4	4	2	2
Jeremy Robin Gray	4	4	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 Solomon Islands and Australia.

Axiom's key focus was the advanced exploration program and licensing for mine development on the Isabel Nickel Project in the Solomon Islands.

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 2017 after income tax was AU$4,838,000 (2016: AU$22,072,000).

Review of operations

Solomon Islands

Isabel Nickel Project

San Jorge Deposit

Axiom continued its development activities on its San Jorge Prospecting Licence (PL 01/15) which it has held since March 2015. In March 2017, Axiom completed an initial drilling program designed to establish an initial area for mining that presents optimal logistical characteristics of a DSO operation.

Axiom also submitted an application for a mining lease over the San Jorge tenement in December 2016 and continues regular engagement with the Solomon Islands Government (SIG) to facilitate the process of the licence application where appropriate. Axiom's immediate priority at San Jorge remains focused on achieving the key elements to commence full development, including licencing and permitting.

While Axiom awaits the grant of the mining lease, further pre-development and development work continued including undertaking environmental studies.

Kolosori Deposit

The Company has re-applied for the prospecting licence over the Kolosori deposit following the Solomon Islands Court of Appeal decision in March 2016. Axiom awaits the Solomon Islands Government's decision in relation to its prospecting licence application.

Other Exploration Areas

West Guadalcanal Project

Prospecting Licence (PL 01/14) over the West Guadalcanal Project, 100% owned by Axiom, was successfully renewed by the Solomon Islands Government for a further 2 years on 9 May 2017.

Situated in the north west of Guadalcanal Island in Solomon Islands the prospect is adjacent to known gold - silver (Au – Ag) deposits, including the Gold Ridge Mine and is considered highly prospective for copper-gold-silver (Cu-Au-Ag) porphyry mineralisation, epithermal Au and porphyry Cu-Au style deposits.

Subsequent to the reporting period, Axiom commenced a work program to advance the West Guadalcanal deposit, combining reconnaissance and detailed surface exploration activities. It is anticipated this initial program will assist in better determining a more advanced exploration program in 2018 and beyond.

Share capital

During the year the Company issued 39,462,758 (2016: 72,715,573) ordinary shares via placements, entitlement offers, conversion of convertible shares, and as payment for services.

Details of the movements in share capital of the Company during the year are set out in Note 21(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 (2016: nil).

Events subsequent to period end

For information regarding events subsequent to period end, please refer to note 27 on subsequent events.

Proceedings on behalf of Company

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 operational 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 24(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

29 December 2017

Independent auditor's report

To the members of Axiom Mining Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Axiom Mining Limited (the "Company") and its subsidiaries (the "Group") set out on pages 12 to 50, which comprise the consolidated statement of financial position as at 30 September 2017, and the consolidated statement of profit or loss, the consolidated 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of AU$4,838,000 for the year ended 30 September 2017 and, as of that date, the Group's current liabilities exceeded its current assets by AU$1,682,000 as of 30 September 2017, these events and conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent auditor's report (continued)

To the members of Axiom Mining Limited (continued)
(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Impairment assessment for mineral exploration expenditure

At 30 September 2017, the Group had capitalised exploration assets of AU$4.67 million. The Group's accounting estimates and judgements in respect of exploration and evaluation assets is outlined in note 5.

This is a key audit matter because the carrying value of the assets are material to the consolidated financial statements and it is necessary the asset be treated consistent with HKFRS 6, *Exploration for and Evaluation of Mineral Resources*.

Our audit procedures included, amongst others:

- We confirmed the existence and tenure of the exploration assets in Australia and Solomon Islands in which the Group has an interest by obtaining confirmation of title from the relevant government agency.
- In assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with HKFRS 6, we:
  - (i) Examined the minutes of the Group's board meetings;
  - (ii) Tested the significant inputs in the Group's cash flow forecasts for consistency with their future activity regarding the exploration assets.
  - (iii) Discussed with management the Group's ability and intention to undertake further exploration activities.
- We tested a sample of additions of capitalised exploration expenditure to supporting documentation to ensure the requirements of HKFRS 6 were met.

Going concern assessment

As discussed in note 2 to the consolidated financial statements, notwithstanding that the Group has net current liabilities of AU$1,682,000 as at 30 September 2017, this condition indicated a condition that may cast significant doubt on the Group's ability to continue as a going concern. In preparation of the Group's consolidated financial statements, management had made an assessment on its working capital sufficiency and, with the support of a cash flow forecast for the 15 months ending 31 December 2018, has concluded that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least next twelve months from the end of the reporting period.

Accordingly, the consolidated financial statements have been prepared on the going concern basis.

The going concern assessment was based on the cash flow forecast that required significant judgement and assumptions about inherently uncertain future outcomes of events and conditions.

Our procedures in relation to the management's assessment of going concern included assessing the appropriateness of the key assumptions adopted by the management in preparation of the cash flow forecasts, reasonableness of key assumptions used based on our knowledge of the business, industry and historical data. We reconciled input data to supporting evidence, such as invoices, exploration programs and board resolutions. We also considered the impact of reasonably possible downside effects in the assumptions underlying the cash flow forecasts and assessed the possible mitigating actions identified by management.

Independent auditor's report (continued)

To the members of Axiom Mining Limited (continued)
(Incorporated in Hong Kong with limited liability)

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent auditor's report (continued)

To the members of Axiom Mining Limited (continued)
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report (continued)

To the members of Axiom Mining Limited (continued)
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Po Yuen.

Zenith CPA Limited
Certified Public Accountants
Cheng Po Yuen
Practising Certificate Number: P04887
Hong Kong
29 December 2017

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Axiom Mining Limited
Consolidated statement of profit or loss
For the year ended 30 September 2017

	Notes	2017 AU$000	2016 AU$000
Revenue			
Interest income		12	21
Sundry income		174	18
Total revenue	7	186	39
Depreciation of property, plant and equipment	14	(266)	(284)
Employee benefits expense		(2,806)	(3,151)
Superannuation		(230)	(283)
Impairment reversal/(loss) on mineral exploration expenditure	15	2,817	(12,208)
Exploration costs	15	-	(424)
Foreign exchange gains, net		51	14
Administrative expenses		(3,582)	(3,132)
Rent and occupancy costs		(425)	(584)
Share-based payments		(102)	(2,083)
Finance costs	8	(481)	24
Loss before income tax	9	(4,838)	(22,072)
Tax expense	10	-	-
Loss for the year		(4,838)	(22,072)
Loss for the year after tax attributable to members of the Company:			
Owners of the Company		(4,118)	(19,326)
Non-controlling interests		(720)	(2,746)
		(4,838)	(22,072)
Loss per share		**Cents**	**Cents**
Basic and diluted	11	(1.18)	(6.57)

Axiom Mining Limited
Consolidated statement of comprehensive income
For the year ended 30 September 2017

	2017 AU$000	2016 AU$000
Loss for the year	(4,838)	(22,072)
Other comprehensive income to be reclassified to profit or loss in subsequent period:		
Exchange differences on translation of foreign operations	(10)	251
Total comprehensive loss for the year, net of tax	(4,848)	(21,821)
Total comprehensive loss for the year attributable to:		
Owners of the Company	(4,128)	(19,333)
Non-controlling interests	(720)	(2,488)
	(4,848)	(21,821)

Axiom Mining Limited
Consolidated statement of financial position
As at 30 September 2017

	Notes	2017 AU$000	2016 AU$000
Current assets			
Cash and cash equivalents	12	1,954	4,070
Other receivables	13	500	298
Other assets		53	104
Total current assets		2,507	4,472
Non-current assets			
Property, plant and equipment	14	362	588
Mineral exploration expenditure	15	4,747	587
Total non-current assets		5,109	1,175
Current liabilities			
Accounts payable	16	1,068	1,443
Other payables and accruals	17	1,178	1,334
Convertible notes	18	1,807	-
Finance lease payables	19	12	30
Provisions	20	124	46
Total current liabilities		4,189	2,853
Non-current liabilities			
Other payables	17	-	243
Finance lease payables	19	4	9
Provisions	20	13	11
Total non-current liabilities		17	263
Net current (liabilities)/assets		(1,682)	1,619
NET ASSETS		3,410	2,531
Equity			
Share capital	21	113,985	108,360
Reserves		(105,138)	(101,112)
Equity attributable to owners of the Company		8,847	7,248
Non-controlling interests		(5,437)	(4,717)
TOTAL EQUITY		3,410	2,531

Ryan Richard Mount
Director

Robert Barraket
Director

Axiom Mining Limited
Consolidated statement of changes in equity
For the year ended 30 September 2017

	Attributable to owners of the Company						
	Share capital AU$000	Foreign currency translation reserve AU$000	Share-based payment reserve AU$000	Accumulated losses AU$000	Total AU$000	Non-controlling interests AU$000	Total equity AU$000
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) income	-	(7)	-	-	(7)	258	251
Total comprehensive loss for the year	-	(7)	-	(19,326)	(19,333)	(2,488)	(21,821)
Issue of shares (note 21)	17,450	-	-	-	17,450	-	17,450
Equity-settled share option arrangements	-	-	2,083	-	2,083	-	2,083
Share issue expenses (note 21)	(523)	-	-	-	(523)	-	(523)
Transfer to share-based payment reserve upon the forfeiture or expiry of share options	-	-	(3,604)	3,604	-	-	-
At 30 September 2016 and 1 October 2016	108,360	(837) *	501 *	(100,776) *	7,248	(4,717)	2,531
Loss for the year	-	-	-	(4,118)	(4,118)	(720)	(4,838)
Other comprehensive loss	-	(10)	-	-	(10)	-	(10)
Total comprehensive loss for the year	-	(10)	-	(4,118)	(4,128)	(720)	(4,848)
Issue of shares (note 21)	5,650	-	-	-	5,650	-	5,650
Equity-settled share option arrangements	-	-	102	-	102	-	102
Share issue expenses (note 21)	(25)	-	-	-	(25)	-	(25)
Transfer to share-based payment reserve upon the forfeiture or expiry of share options	-	-	(77)	77	-	-	-
At 30 September 2017	113,985	(847) *	526 *	(104,817) *	8,847	(5,437)	3,410

* These reserve accounts comprise the consolidated reserves of negative AU$105,138,000 (2016: negative AU$101,112,000) in the consolidated statement of financial position.

Axiom Mining Limited
Consolidated statement of cash flows
For the year ended 30 September 2017

	2017 AU$000	2016 AU$000
Cash flows from operating activities		
Loss before tax:	(4,838)	(22,072)
Adjustments for:		
Interest income	(12)	(21)
Depreciation of property, plant and equipment	266	284
Interest on finance lease payables	8	18
Impairment (reversal) / loss on mineral exploration expenditure	(2,817)	12,208
Share-based payment expense	102	2,083
Consultancy fees paid in shares in lieu of cash	500	628
Effective interest on convertible note	400	(377)
Reversal of PAYE penalties	-	(743)
	(6,391)	(7,992)
Increase in other receivables	(202)	(70)
Decrease in prepayments	43	61
Increase in other payables	(797)	(218)
Decrease (increase) in provisions	80	(281)
Cash used in operations	(7,267)	(8,500)
Interest received	12	21
Net cash flows used in operating activities	(7,255)	(8,479)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	(48)	(251)
Mineral exploration expenditure	(1,343)	(3,798)
Net cash flows used in investing activities	(1,391)	(4,049)
Cash flows from financing activities		
Proceeds from issue of shares, net of transaction costs	2,586	15,134
Proceeds from borrowings	4,052	242
Repayment of borrowings	(52)	(79)
Net cash flows from financing activities	6,586	15,297
Net increase/(decrease) in cash and cash equivalents	(2,060)	2,769
Cash and cash equivalents at beginning of year	4,070	1,306
Effect of foreign exchange rate changes, net	(56)	(5)
Cash and cash equivalents at end of year	1,954	4,070

1 Corporate and Group information

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

Registered office in Hong Kong:	Rooms 2303-7, Dominion Centre, 43-59 Queen's Road East, Hong Kong.
Office in Australia:	Level 6, 15 Astor Terrace, Brisbane 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)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

		Ownership interest held by the Group		Proportion of Non-controlling interests	
Name of subsidiaries	Place of incorporation	2017 %	2016 %	2017 %	2016 %
Axiom Nickel (SI) Ltd	Solomon Islands	100	100	-	-
Axiom KB Ltd	Solomon Islands	80	80	20	20
Axiom KB Mining Ltd	Solomon Islands	80	80	20	20
Axiom Vietnam JSC*	Vietnam	90	90	10	10
Ozmin Resources Pty Ltd	Australia	100	100	-	-
South Pacific Minerals Limited	Solomon Islands	100	100	-	-
Millungera Energy Pty Ltd	Australia	100	100	-	-

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

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$4,838,000 during the year ended 30 September 2017. In addition, the Group had net current liabilities of AU$1,682,000 and capital commitments of AU$1,430,000 along with reported net cash outflow from operating activities of AU$7,255,000 for the year ended 30 September 2017. 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 2017, the Group had cash and cash equivalents of AU$1,954,000 and had access to a further AU$5,000,000 of convertible note funding of which AU$2,000,000 was drawn on and received on 8 November 2017;
- 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 Basis of preparation

These 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) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and are presented in Australian dollars (“AU$”) and all values are rounded to the nearest thousand except when otherwise indicated.

<u>Basis of consolidation</u>
The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 September 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

3.1 Basis of preparation (continued)

Basis of consolidation (continued)
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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 HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*

[The adoption of the revised HKFRSs has had no significant 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:

Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 40	*Transfers of Investment property*[2]
HK(IFRIC)-Int 22	Foreign Currency Translations and Advance consideration[2]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets*[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treaments[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[3]
Amendments to HKFRS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle.

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

The Group has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 30 September 2017, in these consolidated financial statements.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4 Summary of significant accounting policies

Fair value measurement

The Group measures its assets and liabilities at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

4 Summary of significant accounting policies (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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.

An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Summary of significant accounting policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	5% to 7%
Plant and equipment	10% to 25%
Motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Mineral exploration expenditure

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

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

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

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

4 Summary of significant accounting policies (continued)

Mineral exploration expenditure (continued)

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.

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 the statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

4 Summary of significant accounting policies (continued)

Financial instruments

(a) Financial assets

The Group's financial assets include cash and cash equivalents, other receivables and other assets are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in the statement of profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(b) Financial liabilities

The Group's financial liabilities include accounts and other payables and financial lease payables. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

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. 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 the statement of profit or loss.

4 Summary of significant accounting policies (continued)

Convertible notes (continued)
The derivative component is subsequently re-measured. 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 convertible 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 the statement of profit or loss.

Income tax
Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

4 Summary of significant accounting policies (continued)

Income tax

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Goods and services tax ("GST")

Revenue, expenses and assets are recognised net of the amount of 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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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.

4 Summary of significant accounting policies (continued)

Employee benefits (continued)

(a) 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.

(b) 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 the statement of 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.

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.

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 statement of 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.

4 Summary of significant accounting policies (continued)

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.

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 the statement of 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.

Foreign currencies

These financial statements are presented in Australian dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Australian dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Australian dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Australian dollars at the weighted average exchange rates for the year.

4 Summary of significant accounting policies (continued)

Foreign currencies (continued)
The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Australian dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Australian dollars at the weighted average exchange rates for the year.

Borrowing costs
Borrowing costs directly attributable to the acquisition or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5 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.

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.

5 Significant accounting estimates and judgements (continued)

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.

Impairment assessment of mineral exploration expenditure

The carrying amount of the mineral exploration expenditure is reviewed bi-annually and adjusted for impairment whenever circumstance indicate that the carrying amount may not be recoverable.

6 Operating segment information

No operating segment is presented as the Group operated in one single segment during the year.

Geographic information on non-current assets

	2017 AU$000	2016 AU$000
Australia	286	336
Solomon Islands	4,742	839
	5,028	1,175

7 Revenue

	2017 AU$000	2016 AU$000
Interest income	12	21
Service income	174	18
	186	39

8 Finance costs

	2017 AU$000	2016 AU$000
Interest expense on convertible notes	400	-
Others	81	(24)
	481	(24)

9 Loss before income tax

The Group's loss before tax is arrived at after charging:

	2017 AU$000	2016 AU$000
Auditors' remuneration	238	114
Minimum lease payments on operating leases on land and building	186	186
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 24):		
- Wages and salaries	1,641	1,513
- Superannuation	142	156
	1,783	1,669

10 Tax expense

No provision for Hong Kong tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2016: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate in Australia to the tax expense is as follows:

	2017 AU$000	2016 AU$000
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2016: 30%)	(1,451)	(6,622)
Add:		
Tax effect of:		
Non-allowable items		
-share options expensed during year	31	625
-overseas exploration and other expenditure	(78)	189
- impairment loss on mineral exploration expenditure	(846)	3,662
Less:		
-difference in overseas tax rate	5	7
-tax losses and deferred tax not recognised	2,339	2,139
Income tax attributable to entity	-	-

The Group has tax losses arising in Australia for the year ended 30 September 2017 of AU$1,451,000 (2016: AU$6,621,705) that are available indefinitely for offsetting against its future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have been loss-making for some time and it is not considered probable that taxable profits will be available to against which the tax losses can be utilised.

11 Loss per share

(a) Basic loss per share

The calculation of basic loss per share of AU 1.18 cents per share (2016: AU 6.57 cents per share) is based on the loss attributable to owners of the Company of AU$4,118,000 (2016: AU$19,326,000) and the weighted average number of 348,777,421 ordinary shares (2016: 294,041,848 ordinary shares) on issue during the year, calculated as follows:

	2017 AU$000	2016 AU$000
Reconciliation of earnings to profit or loss:		
Loss for the year	(4,838)	(22,072)
Loss attributable to non-controlling equity interest	(720)	(2,746)
Loss used to calculate basic earnings per share	(4,118)	(19,326)
Loss used in the calculation of dilutive earnings per share	(4,118)	(19,326)

Weighted average number of *ordinary shares*

	2017 No. of shares	2016 No. of shares
Issued ordinary shares at 1 October (note 21a)	337,392,308	264,676,635
Effect of placement of shares	8,082,762	17,879,178
Effect of shares issued as payment for services	414,430	2,223,117
Effect of issue of shares to employees	22,953	113,395
Effect of issues under exercise of options	-	215,571
Effect of issues under share purchase plan and conversion of convertible notes	2,864,968	8,933,952
Weighted average number of ordinary shares at 30 September	348,777,421	294,041,848

(b) Diluted loss per share

The diluted loss per share is the same as the basis 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.

12 Cash and cash equivalents

	2017 AU$000	2016 AU$000
Cash at bank and on hand	471	1,099
Time deposits	1,433	2,855
Funds held in trusts	50	116
	1,954	4,070

12 Cash and cash equivalents (continued)

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and short-term time deposits are deposited with creditworthy banks with no recent history of default.

13 Other receivables

	2017 AU$000	2016 AU$000
Other receivables	295	298
Loan to key personnel management (note 24)	205	-
	500	298

At 30 September 2017, none of the above assets was past due nor impaired. The financial assets included in the above balances related receivables for which there was no recent history of default.

14 Property, plant and equipment

	Leasehold land AU$000	Leasehold improvements AU$000	Plant & equipment AU$000	Total AU$000
At 30 September 2017				
At 30 September 2016:				
Cost	1,502	221	1,474	3,197
Accumulated depreciation and impairment	(1,502)	(208)	(899)	(2,609)
Net carrying amount	-	13	575	588
At 1 October 2016, net of accumulated depreciation and impairment	-	13	575	588
Additions	-	-	48	48
Depreciation provided during the year	-	(3)	(263)	(266)
Exchange realignment	-	-	(8)	(8)
At 30 September 2017, net of accumulated depreciation and impairment	-	10	352	362
At 30 September 2017:				
Cost	1,502	216	1,488	3,206
Accumulated depreciation and impairment	(1,502)	(206)	(1,136)	(2,844)
Net carrying amount	-	10	352	362

14 Property, plant and equipment (continued)

	Leasehold land AU$000	Leasehold improvements AU$000	Plant & equipment AU$000	Total AU$000
At 30 September 2016				
At 30 September 2015:				
Cost	1,502	216	1,310	3,028
Accumulated depreciation and amortisation	(1,489)	(216)	(663)	(2,368)
Net carrying amount	13	-	647	660
At 1 October 2015, net of accumulated depreciation and amortisation	13	-	647	660
Additions		16	230	246
Disposals	-	-	(1)	(1)
Depreciation provided during the year	(10)	(3)	(271)	(284)
Exchange realignment	(3)	-	(30)	(33)
At 30 September 2016, net of accumulated depreciation and amortisation	-	13	575	588
At 30 September 2016:				
Cost	1,502	221	1,474	3,197
Accumulated depreciation and amortisation	(1,502)	(208)	(899)	(2,609)
Net carrying amount	-	13	575	588

The net carrying amount of the Group assets held under finance lease in the total amounts of AU$352,000 at 30 September 2017 was AU$62,000 (2016: AU$63,000).

15 Mineral exploration expenditure

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

	2017 AU$000	2016 AU$000
Carrying amount at 1 October	587	9,158
Exploration costs	1,343	4,218
Less: Reversal of (provided for) exploration cost	31	(424)
Exchange alignment	(31)	(157)
Impairment reversal/(loss) on mineral exploration expenditure	2,817	(12,208)
Carrying amount at 30 September	4,747	587

15 Mineral exploration expenditure (continued)

Determining the recoverability of mineral exploration expenditure capitalised in accordance with the Group's accounting policies, 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 year, no impairment charge was made to capitalised exploration expenditure in accordance with the Group's accounting policies to its recoverable amount.

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

The Group was granted a renewal of its Prospecting Licence (PL 01/14) in the West Guadalcanal area for a further 2 years by the Solomon Islands Government, and has re-applied for the Prospecting Licence in Kolosori area in Solomon Islands.

The Company has chosen to restore the original carrying value of the West Guadalcanal asset and reverse the full impairment amount of AU$2,817,000 as the value is likely to be recoverable through future exploration activities.

The carrying value of Kolosori as at 30 September 2017 has been fully impaired.

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

16 Accounts payable

The accounts payable are non-interest-bearing and are normally settled within 60 days.

17 Other payables and accruals

	2017 AU$000	2016 AU$000
Accruals	178	272
Other payables	1,000	1,305
	1,178	1,577
Less: Non-current portion of other payables	-	(243)
Current portion of other payables and accruals	1,178	1,334

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

18 Convertible notes

	2017 AU$000	2016 AU$000
Convertible Notes (includes embedded derivative component)	1,807	-

On 16 June 2017, the Company announced it had entered into a Convertible Note Agreement for an initial AU$4 million in funding from [MEF I.L,P] ("Magna") through the issue of Convertible Notes under Convertible Note facilities Tranche A and Tranche B, each to the value of AU$2 million respectively.

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

Tranche C funding is available in two instalments, made up of AU$2 million in available funding drawn down in early November 2017 with a further AU$3 million in funding available to be drawn down up to 31 January 2018 at the Company's discretion.

The Convertible Notes were issued on the following terms:

- The Convertible Notes will be issued at US$1.00 per note at the prevailing AU$/US$ exchange rate and have a face value of US$1.10 per note.
- The Convertible Notes are convertible at any time by the Investor under Tranche A and B at the lower of a floor price of AU$0.20 cents or a 10% discount from the lowest VWAP over three (3) days in a ten (10) days prior to the conversion date.
- The Convertible Notes are convertible at any time by the Investor under Tranche C at the lower of a floor price of AU$0.30 cents or a 10% discount from the lowest VWAP* over two (2) days in a five (5) days prior to the conversion date.
- All three facilities have a maturity of 12 months after their respective issue dates.
- Once drawn down, the Company will have the option to repay the Convertible Notes, Tranche A, Tranche B and / or Tranche C, within 12 months on the following terms:
  a) On or before 6 months after the issue date, the Company is required to repay 110% of the face value of the relevant Convertible Note; and
  b) From 6 months after the issue date, the Company is required to repay 115% of the face value of the relevant Convertible Note.
- The Convertible Notes bear no interest and are unsecured.
- The Investor may elect to convert a Convertible Note to shares at any time provided that the face value of the Convertible Notes to be converted are not greater than 20% of the investment amount for the relevant tranche.
- Shareholder approval is not required for the initial funding to proceed, however the agreement contains provisions requiring the approval of shareholders if required under Listing Rule 7.1.
- The Investor is bound by a list of trading restrictions including a cap on the market value of shares periodically traded including restrictions preventing short selling.

18 Convertible notes (continued)

Tranche A was made up of 1,522,400 Convertible Notes with face value of US$1,674,640 which was fully converted to 18,029,428 shares by 10 August 2017. Tranche B is made up of 1,587,436 Convertible Notes with a face value of US$1,746,180 which was partially converted to 2,352,486 shares as at 30 September 2017 and had a remaining 1,287,436 Convertible Notes outstanding.

*VWAP – Value Weighted Average Price

19 Finance lease payables

The Group through its subsidiary Axiom Nickel (SI) Limited acquired a motor vehicle and a photocopier through finance lease agreements over 24 months.

As at 30 September 2017, the Group had obligations under finance leases as follows:

	2017		2016	
	Present value of the minimum lease payments AU$000	Total minimum lease payments AU$000	Present value of the minimum lease payments AU$000	Total minimum lease payments AU$000
Within one year	12	13	30	33
After one year but within five years	4	4	9	9
	16	17	39	42
Less: total interest expenses	-	(1)	-	(3)
	16	16	39	39

20 Provisions

	2017 AU$000	2016 AU$000
Current		
Employee benefits payable	124	46
Non-Current		
Employee benefits payable	13	11

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.

21 Capital and reserves

a) Authorised and issued share capital

	2017 AU$000	2016 AU$000
Issued and fully paid		
376,854,966 (2016: 337,392,208) ordinary shares	113,985	108,360

	2017 Number of shares	AU$000	2016 Number of shares	AU$000
Movements in issued shares:				
Balance at 1 October	337,392,208	108,360	264,676,635	91,433
Issue of new shares				
Share placement issue*	17,947,509	2,958*	48,838,384	10,705*
Shares issued as payment for services and interest	988,890	130	2,733,032	878
Shares issued to employees	144,445	23	225,001	52
Exercise of options	-	-	263,095	62
Shares issued on conversion of convertible notes	20,381,914	2,539	20,656,061	5,753
	376,854,966	114,010	337,392,208	108,883
Less: Transaction costs arising from share issues	-	(25)	-	(523)
Balance at 30 September	376,854,966	113,985	337,392,208	108,360

* Included in the value of issued share capital are free attaching options to private placement shown in note 21(d).

b) Reserves

	2017 AU$000	2016 AU$000
Foreign currency translation reserve	(847)	(837)
Share-based payment reserve	526	501
	(321)	(336)

21 Capital and reserves (continued)

b) Reserves (continued)

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.

(ii) Share-based payment reserve
The share-based payment 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 2017, the aggregate amount of reserves available for distribution to shareholders of the Company was nil (2016: nil).

21 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 1/10/2016	Exercise price(AU)	Granted during the year	Exercised during the period	Expired during the year	No. of options outstanding as at 30/09/2017
Consultants for services rendered	10/02/14	10/02/17	883,333	0.2805	-		883,333	-
Consultants for services rendered	11/12/15	30/11/17	1,333,000	0.3000	-		-	1,333,000
Consultants for services rendered	31/03/16	30/03/18	300,000	0.4500	-		-	300,000
Options approved at AGM	29/04/16	31/03/17	28,377,530	0.4500	-		28,377,530	-
Consultants for services rendered	28/04/16	20/04/17	500,000	0.2000	-		500,000	-
Options attached to private placement	12/05/16	30/03/26	28,638,893	0.3000	-		-	28,638,893
Options attached to private placement	12/05/16	30/03/26	28,638,893	0.4000	-		-	28,638,893
Options attached to private placement	12/05/16	30/03/26	28,638,893	0.5000	-		-	28,638,893
Options attached to private placement	12/05/16	30/03/26	28,638,893	0.6000	-		-	28,638,893
Options attached to private placement	10/06/16	30/03/26	1,666,668	0.3000	-		-	1,666,668
Options attached to private placement	10/06/16	30/03/26	1,666,668	0.4000	-		-	1,666,668
Options attached to private placement	10/06/16	30/03/26	1,666,668	0.5000	-		-	1,666,668
Options attached to private placement	10/06/16	30/03/26	1,666,668	0.6000	-		-	1,666,668
Options attached to private placement	04/08/16	28/07/18	8,928,592	0.4000	-		-	8,928,592
Options attached to private placement	04/08/16	30/11/27	800,000	0.3000	-		-	800,000
Options attached to private placement	06/03/17	18/12/18	-	0.4000	4,687,500		-	4,687,500
Options attached to private placement	14/04/17	28/07/18	-	0.4000	357,143		-	357,143
Options attached to Entitlement Offer	09/05/17	14/12/18	-	0.4000	2,704,929		-	2,704,929
Options attached to Entitlement Offer	19/05/17	14/12/18	-	0.4000	28,335,371		-	28,335,371
Options attached to Entitlement Offer	17/06/17	14/12/18	-	0.4000	10,937,500		-	10,937,500
Consultants for services rendered	17/06/17	14/12/18	-	0.4000	500,000		-	500,000
Consultants for services rendered	17/06/17	07/05/18	-	0.1600	500,000		-	500,000
Options attached to Entitlement Offer	11/07/17	14/12/18	-	0.4000	109,375		-	109,375
Total			162,344,699		48,131,818	-	29,760,863	180,715,654

21 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 2017 are:

Grant date	Expiry date	Spot price AU$	Volatility %	Risk free rate %
14 Dec 15	30 Nov 17	0.30	103	2.00
31 Mar 16	30 Mar 18	0.45	103	2.00
5 Aug 16	30 Nov 17	0.30	103	2.00
17 Jun 17	14 Dec 18	0.40	103	2.00
17 Jun 17	7 May 18	0.16	103	2.00

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 2016	Granted during the year	Exercised during the year	Lapsed during the year	No. of rights outstanding as at 30 September 2017
Ryan Richard Mount [1]	9,600,000	-	-	2,400,000	7,200,000
Jeremy Gray	400,000	-	-	150,000	250,000
Robert Barraket	500,000	-	-	-	500,000
	10,500,000	-	-	2,550,000	7,950,000

[1] The issue of Performance Rights to Mr Mount was approved at a meeting of shareholders on 31 March 2015 and Mr Mount remains entitled to Rights shown above. To date these Rights are yet to be issued.

22 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.

22 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.

23 Commitments

a) Capital commitments

Estimated capital expenditure required to maintain tenements at the end of reporting period, but not provided for, are payable as follows:

	2017 AU$000	2016 AU$000
Within one year	898	565
After one year but within five years	532	480
	1,430	1,045

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.

At 30 September 2017, the Group has total future minimum lease payments under operating leases falling due as follows:

	2017 AU$000	2016 AU$000
Within one year	182	186
After one year but within five years	344	498
	526	684

24 Related parties

a) Transactions with related parties

A key management personnel ("KMP") was provided a non-secured loan of AU$200,000 at 5.25% interest per annum with fixed monthly loan repayments to 31 March 2018, and AU$50,000 of consultant fees were paid to a party related to a director. Included in sundry income was AU$164,000 received from AuStar Gold Limited (previously Mantle Mining Corporation Ltd) by way of corporate services for the year ended 30 September 2017.

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:

	2017 AU$000	2016 AU$000
Short term employee benefits		
Salaries	140	157
Post-employment benefits		
Superannuation	8	8
Other benefits		
Share-based payments - performance rights *	-	81
Total remuneration	148	246

c) KMP remuneration summary

	2017 AU$000	2016 AU$000
Short term employee benefits		
Salaries	1,040	1,475
Non-monetary benefits	127	7
Total short-term benefits	1,167	1,482
Post-employment benefits		
Superannuation	81	118
Total Superannuation	81	118
Other benefits		
Share-based payments - performance rights *	-	271
Long service Leave	12	-
Total other benefits	12	271
Total remuneration	1,260	1,871

* 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.

25 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.

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 AU$1,150,285 (2016: AU$1,096,000) to the Australia and New Zealand Banking Group Limited relating to funds on deposit and cash at bank and AU$804,000 material exposure relating to funds held by Yellow Brick Road Smart Money Account.

25 Financial risk management and fair values (continued)

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; and
- managing credit risk related to financial assets.

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.

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 at the end of reporting period, are as follows:

Financial instruments	Interest bearing		Non-interest bearing		Total carrying amount as per the consolidated financial position		Weighted average effective interest rate	
	2017 AU$000	2016 AU$000	2017 AU$000	2016 AU$000	2017 AU$000	2016 AU$000	2017 %	2016 %
(i) Financial assets								
Cash[1] and cash equivalent	1,954	4,070	-	-	1,954	4,070	2.10	2.5
Other receivables and Other assets	204	-	300	298	504	298	5.25	-
Total financial assets	**2,158**	**4,070**	**300**	**298**	**2,458**	**4,368**		
(ii) Financial liabilities								
Trade and other payables	541	750	1,705	2,270	2,246	3,020	7.25	7.50
Borrowings – Convertible notes	-	-	1,807	-	1,807	-	-	-
Capitalised lease liabilities[2]	16	39	-	-	16	39	8.0	10.0
Provisions	-	-	137	57	137	57	-	-
Total financial liabilities	**557**	**789**	**3,649**	**2,327**	**4,206**	**3,116**		

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

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

25 Financial risk management and fair values (continued)

d) Currency risk

Functional currency of entity	AU$000	AU$000	AU$000	Total AU$000
2017				
Australian Dollar	(479)			(479)
Solomon Island Dollar		(1,230)		(1,230)
Vietnamese Dong			10	10
Statement of financial position exposure	(479)	(1,230)	10	(1,699)
2016				
Australian Dollar	3,625			3,625
Solomon Island Dollar		(2,277)		(2,277)
Vietnamese Dong			11	11
Statement of financial position exposure	3,625	(2,277)	11	1,359

If the Solomon Island Dollar and the Vietnamese Dong were to firm against the Australian dollar by 5% the Group loss would increase by AU$140,000. If Solomon Island Dollar and the Vietnamese Dong were to weaken against the Australian dollar by 5% the Group loss would reduce by AU$127,000.

e) Fair values

All financial instruments carried at amortised costs are not materially different from their fair values as at 30 September 2017 and 2016.

26 Contingent assets and contingent liabilities

Following the judgement by the Solomon Islands Court of Appeal on the 21 March 2016, 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.

27 Subsequent events

In relation to the Convertible Note facility signed with Magna, the Company announced on 25 October 2017 that upon the satisfaction of certain conditions including Magna conducting an in-country and project site due diligence, the Convertible Note Agreement was varied to allow a further AU$5 million in additional funding under Tranche C of the agreement. A total of 8,196,967 shares from 915,000 Convertible Notes were converted post 30 September 2017.

Other than the above there are no other matters or circumstances have arisen since 30 September 2017 that significantly affected or could significantly affect the operations of the Consolidated Group in future years.

28 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	2017 AU$000	2016 AU$000
Financial liabilities			
- Embedded derivative liability (fair value)	18	(1,807)	-

29 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:

	2017 AU$000	2016 AU$000
Current assets		
Cash and cash equivalents	1,649	4,040
Other receivables	459	236
Due from subsidiaries	1,446	1,302
Total current assets	3,554	5,578
Non-current assets		
Investments in subsidiaries	-	-
Property, plant and equipment	62	110
Total non-current assets	62	110
Current liabilities		
Other payables and accruals	739	650
Convertible notes	1,807	-
Provisions	46	37
Total current liabilities	2,592	687
Net current assets	962	4,891
NET ASSETS	1,024	5,001
Equity		
Share capital	113,985	108,360
Reserves	(112,961)	(103,359)
TOTAL EQUITY	1,024	5,001

Ryan Richard Mount
Director

Robert Barraket
Director

29 Statement of financial position of the Company (continued)

Note:

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

	Foreign currency translation reserve AU$000	Share based payment reserve AU$000	Accumulated losses AU$000	Total AU$000
At 1 October 2015	**(933)**	**2,022**	**(87,321)**	**(86,232)**
Loss for the year and total comprehensive loss for the year	-	-	(19,176)	(19,176)
Transfer from Retained earnings	-	-	(34)	(34)
Equity-settled share options arrangements	-	2,083	-	2,083
Transfer to share-based payment reserve upon the forfeiture or expiry of share options	-	(3,604)	3,604	-
Total transactions with owners and other transfers	-	(1,521)	3,570	2,049
As at 30 September 2016	(933)	501	(102,927)	(103,359)
At 1 October 2016	**(933)**	**501**	**(102,927)**	**(103,359)**
Loss for the year and total comprehensive loss for the year	-	-	(9,704)	(9,704)
Transfer to share-based payment reserve upon the forfeiture or expiry of share options	-	(77)	77	-
Equity-settled share options arrangements	-	102	-	102
Total transactions with owners and other transfers	-	25	77	102
As at 30 September 2017	**(933)**	**526**	**(112,554)**	**(112,961)**

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 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.

30 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 29 December 2017.