

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Axiom Mining Limited ('Axiom' or 'the Company') is responsible for the corporate governance of the group. The Board guides and monitors the business and affairs of the Company on behalf of shareholders by whom it is elected and to whom it is accountable. Accordingly, the Board has adopted a Corporate Governance Statement, guided by the ASX Corporate Governance Council's Corporate Governance Principle and Recommendations third edition, released in March 2014.

In accordance with the Council's recommendations, this section contains specific information, and reports on the Company's adoption of the Council's best practice recommendations on an exception basis. Disclosure is made of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. The Company's corporate governance principles and policies are therefore structured as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the Board to add value
Principle 3	Act ethically and responsibly
Principle 4	Safeguard integrity in corporate reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of security holders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

The corporate governance practices of the Company are compliant with the Council's best practice recommendations to the extent that they are relevant to the Company's business activities and the stage of its development as a listed exploration and mining company. The Board will consider on an ongoing basis its corporate governance procedures and whether they are sufficient given the Company's operations and size.

### 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

*A listed entity should establish and disclose the respective roles and responsibilities of its Board and management and how their performance is monitored and evaluated.*

#### The Board and its responsibilities

The Board operates in accordance with the following principles and guidelines:

- The Board does comprise a majority of Non-Executive Directors;
- The Chairperson is an independent Director;
- The Board does comprise Directors with an appropriate range of qualifications and expertise;
- The terms and conditions of the appointment of Non-Executive Directors are set out in a letter of appointment;
- The Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with proper functioning of the Board.

The Board is of a size that is satisfactory for its current stage of development and it schedules formal quarterly board meetings and other meetings as and when required having regard to the relevant business activities.

For the purposes of the proper performance of their duties, Directors are entitled to seek independent professional advice at the Company's expense subject to having first advised the Chairman of the necessity to do so. The Directors stand for re-election by shareholders in accordance with the requirements of the Articles of Association on a three-year rotational basis.

The Board is responsible for the direction and supervision of the Company's business on behalf of the shareholders, by whom they are elected and to whom they are accountable. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability. The primary functions of the Board include responsibility for:

- approving objectives, goals and strategic direction for management;
- monitoring financial performance including adopting annual budgets and approving the company's financial statements;
- ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- selecting, appointing and reviewing the performance of the Chief Executive Officer (CEO) and reviewing the performance of senior operational management;
- ensuring significant business risks are identified and appropriately managed; and
- reporting to shareholders on performance.

The Company's Managing Director's performance and remuneration is reviewed annually by the Non-executive Directors. The performance criteria against which executives are assessed is aligned with the financial and non-financial objectives of Axiom Mining Limited as further detailed under Principle 8 - Remunerate fairly and responsibly.

There is currently no formal process for performance evaluation of the Board or individual Directors. The Board has considered this aspect of governance, but considers that until the Board has been increased subsequent to commencement of its mining operations, review of Board performance would be undertaken through less formal consultation amongst Board members and senior management.

### Diversity

The Company has reviewed the recommendations on diversity introduced by the ASX Corporate Governance Council.

As far as practical, given the current size, scope and requirements of the Company's operations in the locations in which it operates, the Company is committed to putting these recommendations into practice. Given the multinational scope of its operations, the Company will consider not only gender, but also ethnicity and cultural background in reporting its diversity performance.

As the Company has a relatively small workforce with many requiring specific skills that may not be widely available, the Company has not deemed it appropriate to set specific numeric targets as these could be inappropriately skewed by the small sample size. Axiom currently has participation from a diverse workforce, with gender diversity being in advance of industry averages for its sector.

## 2. STRUCTURE THE BOARD TO ADD VALUE

*A listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.*

### Nomination and remuneration committee

The full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee at this stage of the development of the Company.



The Board will collectively consider the requirement from time to time for new Directors always mindful that any appointment should ensure there is a complementary mix of necessary skills. In addition the Board will ensure that the candidacy of any new Director will be measured against criteria for necessary and desirable competencies and appropriate validation checks will be made before such an appointment.

**Skills, experience and expertise of directors**

The Directors in office at the date of this statement are:

Name	Position	Independent	Term in Office	Expertise
<b>Robert Barraket</b>	Non-executive Chairman	Yes	2 years	Legal, strategy, communication, risk and management
<b>Ryan Mount</b>	Managing Director	No	8 years	Strategy, communication, corporate finance, risk and management
<b>Jeremy Gray</b>	Non-Executive Director	Yes	2.5 years	Finance, management and asset evaluation

**Independence**

Directors of Axiom Mining Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of Director independence, ‘materiality’ is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company’s loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the Directors as marked in the previous table are considered to be independent.

Given the size and scope of the Company’s operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day to day operations perspective, and to achieve the objectives of the Company. Furthermore, mechanisms are in place to ensure the integrity of the financial accounts. The Board will continue to monitor the effectiveness of its structure and will make any changes that are deemed desirable as the Company continues to grow.

**Induction of new directors and professional development**

A new Director is provided an induction pack that outlines the expectation of the Director and provides a portfolio of the Company’s significant policies and procedures. The Company encourages appropriate professional development of its directors and will pay for relevant courses and seminars that enable the director to develop and maintain the skills and knowledge needed to perform their role.

**3. ACT ETHICALLY AND RESPONSIBLY**

*A listed entity should act ethically and responsibly.*

**Code of conduct**

The Company supports and has adopted the Code of Conduct published by The Australian Institute of Company Directors in 2005. This code recognises the need for Directors and employees to observe the

highest standards of behaviour and business ethics and its commitment to ensuring compliance with the insider trading laws.

#### Securities trading disclosure

The purpose of the Company's securities dealing policy is to create awareness of the legal prohibition on dealing in securities of the Company. The policy also aims to ensure that the Company's reputation and those of its employees and Directors is not adversely impacted by perceptions of dealing in the Company's securities at inappropriate times. It is the duty of each person to seek to avoid any such dealing at a time when persons are prohibited from dealing in the Company's securities and in any event each person is required to inform the Chairman before they intend dealing in the Company's securities and secure his consent to do so, unless it is proposed to do so in a period when it is otherwise permitted and the market is fully informed.

A copy of the Securities Trading Policy was released to the ASX on 24 December 2010 and is also available on the Company's website.

## 4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING

*A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.*

#### Audit, risk and compliance committee

The composition of the Board is not suitable for the formation of separate sub-committees and these responsibilities are undertaken by the whole Board. The Company has developed an audit review process whereby Directors meet with the external auditor bi-annually and with management responsible for the finance functions of the Company as required to ensure the highest possible degree of the integrity of the Company's financial operations to prepare the relevant Financial Statements for the Company.

The Board, acting in this role, has the primary responsibility to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process;
- review and approve the half year and full financial year Financial Statements;
- review the performance of the external auditors and existing audit arrangements;
- ensure compliance with laws, regulations and other statutory or professional requirements and the Company's governance policies set out in the Corporate Governance Statement, and
- recognise and respect the rights of shareholders and its obligations to all legitimate stakeholders.

The Board receives confirmation from the CEO and the Chief Financial Officer (CFO) that to the best of their knowledge and belief, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

The Company's Auditor attends the Annual General Meeting of Shareholders.

## 5. MAKE TIMELY AND BALANCED DISCLOSURE

*A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.*

### Continuous disclosure

The Company must comply with the continuous disclosure requirements of the ASX Listing Rules and Corporation Act 2001, which requires it to disclose to the ASX any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities unless certain exemptions from the requirements apply. To ensure it meets its continuous disclosure obligations, the Board itself, through the CEO, is responsible for determining and approving all continuous disclosure matters.

The Company rigorously polices its continuous disclosure responsibilities to ensure a fully informed market at all times. The Company's Continuous Disclosure Policy is available on the Company's website.

### Ethical standards

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity especially in developing jurisdictions.

The Company officers and employees are required to act in accordance with the law and with the highest ethical standards and in compliance with Australian and the laws of each country in which it operates. In addition to the Trading Policy, on joining the Board, the Directors are required to sign a Director's disclosure statement. This sets out their obligations regarding disclosure of dealing in the Company's securities.

Each quarter at formal Board meetings or other meetings when convened Directors are required to make disclosures of any matters that may have altered or where any matter to be discussed by the Board might give rise to a conflict of interest. Where a conflict of interest may arise the relevant Director(s) may be asked to leave the meeting to ensure full and frank discussion of the matter(s) under consideration for determination.

## 6. RESPECT THE RIGHTS OF SECURITY HOLDERS

*A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.*

### Shareholder communication

The Board strives to ensure that shareholders are provided with sufficient information on a continual basis to assess the activities and performance of the Company and its Directors to enable shareholders to make well informed investment decisions. Information is communicated to shareholders through:

- quarterly, half-yearly and audited annual financial reports;
- annual and other general meetings convened for shareholder review and where necessary approval of Board proposals;
- continuous disclosure of material changes to the ASX for open access to the public, as set out in the Company's Continuous Disclosure policy; and
- the Company's website at [www.axiom-mining.com](http://www.axiom-mining.com) where all ASX announcements, notices and financial reports are published as soon as possible after release to the ASX.

Shareholders are actively encouraged to become 'online shareholders' by registering electronically with the Company to receive an email notification of announcements as they are made. The Company endeavours to respond to all shareholder queries on a prompt and courteous basis.

The Company has a preference for electronic communications with shareholders and encourages shareholders to use that mechanism.

All information disclosed to the ASX is automatically posted on the Company's website as soon as it is disclosed to the ASX. This is achieved through a sophisticated web interface with the ASX online lodgement system.

## 7. RECOGNISE AND MANAGE RISK

*A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.*

### Identification and management of business risk

The Board is responsible for identifying, monitoring and reducing the significant areas of potential business and legal risk of the Company. The Board continually reviews the risks associated with its exploration activities and also reviews and monitors the parameters under which such risks will be managed.

Management, through the Managing Director, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Board on the Company's key risks and the extent to which it believes these risks are being managed. This is performed on an annual basis or more frequently as required by the Board.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. It reviews strategic, operational and technical risks in conjunction with reviewing corporate strategy. The Board considers the Company's strategic direction in detail and includes specific focus on the identification of business risks which could prevent the Company from achieving its objectives.

Management is required to ensure that appropriate controls and mitigation strategies are in place to effectively manage those risks. Compliance and reporting risks are reviewed on an ongoing basis. The Board oversees the adequacy and comprehensiveness of risk reporting from management.

### Risk factors

There are a number of risk factors that may affect the financial performance of the Company and the value of an investment in shares issued in the Company. While some of these risks can be minimised, some are outside the control of the Company. There are also specific risks associated with the Company's business and investment in the mineral exploration and mining industry and in the jurisdictions in which it operates including but not limited to sovereign risks.

### Business risks

#### Exploration

The business of mineral exploration, project development and mining, by its nature, contains elements of significant risk with no guarantee of success.

There is no assurance that exploration on any of the Company's projects described in this report, or on any other projects that may be acquired, will result in the discovery of a mineral deposit. If there is a discovery, it may not prove to be economically viable to exploit the discovery.

#### General mineral operation risks

The business of the Company may be disrupted by a variety of risks and hazards, which are beyond the control of the Company, including sovereign or political risks, environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, severe seismic activity, flooding and extended interruptions due to inclement or hazardous weather conditions, fire, explosions, customs and port delays. These risks and hazards could also result in damage to or destruction of mining facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability.



### **Development capital costs**

Should the Company be successful with exploration, the capital cost of the Company's future mine development could vary with changes in a variety of factors, including exchange rates that affect imported capital equipment prices, geological and technical conditions encountered during drilling and mine development, and the construction of new production facilities. A substantial increase or decrease in development costs could have a material effect on the Company.

### **Resource estimates**

In reporting by the Company, references to reserves and resources and their classifications, are in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves ('JORC Code').

Estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate.

Should the Company encounter mineralisation different from that predicted by past drilling, sampling and similar examination, resource estimates may have to be adjusted. This adjustment could affect development and mining plans, which could positively or adversely impact the Company.

### **Title rights**

There is no guarantee that any tenement applications or conversions in which the Company has a current or potential interest will be granted. Tenement applications may require the Company to commence negotiations with relevant government body, minister or official, landholder, and, in Australia, Vietnam and Solomon Islands, indigenous representative bodies to gain access to the underlying land. There is no guarantee that such negotiations will be successful or that having been successful the Company will not be challenged by third parties.

Also, due to its exploration activities in Queensland, the Company must observe its "duty of care" under Aboriginal Cultural Heritage Act 2003 (Qld) to ensure that its activities do not harm Aboriginal cultural heritage.

### **Price volatility**

Most of the Company's revenues from any successful exploration and mine development will ultimately be derived from sale of metals. Consequently, the Company's expected earnings will be closely related to metal prices. Metal prices fluctuate and are affected by numerous factors beyond the control of the Company.

These factors include world demand, forward selling by producers, and production cost levels in major metal producing regions. Metal prices may also be affected by macro-economic factors such as expectations regarding inflation, interest rates, and global and regional demand for and supply of metals as well as global economic conditions. These factors may have an effect on the Company's exploration, development and production activity as well as its ability to fund these activities. The Company will consider developing a suitable hedging strategy as and when appropriate.

### **Funding requirements**

The Company's exploration and mining activities will require significant expenditure. The Company's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds, either in the form of debt or equity. Any additional equity funding may dilute holdings of shareholders and any debt financing, if available, may involve restrictive covenants, which may limit the Company's operations and business strategy. Whilst the Board constantly reviews its capital requirements and expenditure there can be no assurance that the Company will be able to raise additional funding or that such funding will be on favourable terms. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures. This may have a material effect on the Company's activities and the price of its shares.



### **Dependence on key personnel**

The Company's success depends to a significant extent on key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of certain personnel could have an adverse effect on the Company and its operations. The Board has implemented a long-term incentive plan for senior management and Directors through a Performance Rights Plan that aligns the employee with the success of the Company and shareholder returns. Otherwise the Board is satisfied that the Company remunerates fairly and responsibly and where necessary independent remuneration advice is obtained.

### **Dependence on third party contractors**

The Company will be contracting third parties to provide surface exploration services and equipment in relation to its exploration activities. Failure or termination of a contract with those third parties at any time may result in significant delays in the Company's exploration program that may have a material effect on the Company. The Company will mitigate these risks through the use of multiple suppliers where feasible and by actively managing its supplier relationships and procurement policies.

### **Environmental regulations**

The Company's operations and projects are subject to the law and regulations of the jurisdictions in which it operates relating to environmental matters.

Although the Company endeavours to comply in all material respects with all applicable environmental laws and regulations, there are risks inherent in its activities, which could expose the Company to liability.

The Company may require, and has obtained or will obtain, approvals from all relevant authorities to undertake prescribed exploration or mining activities.

Failure to maintain such approvals may prevent the Company from undertaking such activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurance that the implementation of new environmental laws and regulations or stricter enforcement policies would not oblige the Company to incur expenses and investments which could have a material adverse effect on the Company's business, financial condition or operational results. The cost and complexity of complying with applicable environmental laws and regulations in any relevant jurisdiction may prevent the Company from being able to develop mineral deposits.

### **Insurance**

The Company intends to maintain adequate insurance over its operations within ranges of coverage that the Company understands to be consistent with industry practice and having regard to the nature of activities being conducted. However, insurance of all risks with mineral exploration, project development and production is not always possible. Accordingly, the Company may not be insured against all possible losses, either because of unavailability of cover or because the premiums may be excessive relative to benefits that would accrue.

### **Sovereign risk and foreign operations**

There are risks associated with operating internationally.

There can be no guarantee that the government regulations in Solomon Islands, Australia, Hong Kong or Vietnam, in particular in relation to foreign investment, repatriation of foreign currency, taxation and the regulation of the mineral exploration and mining industry, will not be amended in the future to the detriment of the Company's business. Costs of compliance with laws and regulations in Solomon Islands, Australia, Hong Kong and Vietnam may vary from current estimates.

The Company undertakes its activities in Solomon Islands in conjunction with other local partners. There can be no guarantee that the Company will be able to enter into commercially satisfactory arrangements with other local partners for any future operations in Solomon Islands.

The Company is incorporated in Hong Kong; changes in Hong Kong laws may have an effect on non-Hong Kong holders of shares. Reporting requirements of the Company in Hong Kong may impose onerous obligations on the Company.



The Solomon Islands economy and political environment remains uncertain. The Company was recently involved in major litigation in respect of the Prospecting Licence and Registered Lease it was granted on Isabel Island. The determination delivered by the Court of Appeal in 2016 required the Company to re-apply for the licence, causing delays to the Company's planned development timeline. As partial mitigation the Company continues to invest in other tenements in Solomon Islands.

#### **Currency and exchange rate risk**

Movements in currency exchange rates can be volatile.

The Company's expenditure obligations are incurred predominantly in the Solomon Islands in Solomon Bolona dollars (SBD) and in Australia in Australian dollars (AUD) and US Dollars (USD). Currency risk may result in an exchange rate loss or gain to the Company, depending on the value movement between currencies.

The Company has prepared its accounts denominated in AUD. For ASX reporting purposes, quarterly statements and accounts are also provided in AUD.

The return on equity and any dividends for Shareholders may be exposed to fluctuations and volatility of the exchange rates among USD, AUD, and SBD.

#### **General risks**

##### **Economic conditions**

General economic conditions may affect interest rates, inflation rates and other economic variables. Movements in these factors may benefit or adversely affect the Company. Movement in general economic conditions may also affect companies with which the Company conducts its business, which may also affect the Company's earnings.

##### **Changes to laws and regulations**

The introduction of new policies, legislation or amendments to existing policies or legislation by governments or the interpretation of those laws as noted above could impact adversely on the assets, operations and ultimately financial performance of the Company.

## **8. REMUNERATE FAIRLY AND RESPONSIBLY**

*A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.*

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Managing Director's and key executives' emoluments are structured to retain and motivate executives by offering a competitive base salary together with long term performance incentives through shares and/or options which allow executives to share in the success of the Company.

Due to the size of the Board and the current stage of the Company's evolution, the Board considers that it is not currently appropriate to have a separate Remuneration Committee. The Board will fulfil this role, collectively setting policies for senior executive remuneration including the CEO and reviewing them from time to time as appropriate. The Board will also review and approve the recommendations of the CEO on the remuneration of senior executives and will set policies for Non-Executive Director remuneration and determine the level of their remuneration with the assistance of external consultants as appropriate.

The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit.

The Company currently has two Non-Executive Directors (including the Non-Executive Chairman) and a Managing Director. The Company's Managing Director does not receive Directors' fees and his



remuneration package is formalised in a service agreement. The constitution of the Company provides that non-executive Directors may collectively be paid a remuneration for their services, a fixed sum not exceeding the aggregate maximum sum per annum as from time to time determined by the Company at a General Meeting and approved by shareholders. The maximum aggregate sum is currently US\$300,000 and is set at a level that compensates the directors for their significant time commitment in overseeing the progression of the Company's business plan. The Chairman's fees are determined independently of the fees of the non-executive Directors based on comparative roles in the market place.

The Chairman's and Non-Executive Director's fees are set on an annual basis. Directors may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A director may also be reimbursed for out of pocket expenses incurred in carrying out their duties.

Equity based incentive plans have been established to align with shareholder goals. The Company established the Axiom Director and Executive Performance Rights Plan, which was approved by Shareholders at the 30 July, 2010 Extraordinary General Meeting, and refreshed at the Annual General Meetings ("AGM") held on the 22 April, 2013 and 31 March, 2016. The Axiom Director and Executive

Performance Rights Plan is structured to provide appropriate incentives for the Board and management:

- to align the economic interests of the Board and management with shareholders;
- to keep the Board and management focused on the longer term growth of the Company; and
- to increase shareholder value by achieving certain milestones.

Under the plan, participants are granted rights that vest if certain performance conditions are met. Participation in the plan is at the Board's discretion. Certain employees of the company have been granted share rights as set out in their services agreement with the Company. Apart from these, no individual has a contractual right to participate in the plan or receive any guaranteed benefits.

**Approved by the Board of Axiom Mining Limited**

**23 January 2018**