



**Axiom Mining Limited**  
ARBN 119 698 770

Ngossi Road, Honiara  
PO BOX 845, Honiara

Level 6, 15 Astor Terrace  
Brisbane QLD 4000  
Australia

T + 61 7 3319 4100  
contact@axiom-mining.com  
www.axiom-mining.com

**10 May 2019**

## Funding Update

### Highlights

- Private placement of up to 32,990,000 shares at an issue price of \$0.04 per Share with an entitlement offer to Placees to receive for no further consideration a 1 for 1 attaching option exercisable at \$0.10 expiring 30 April 2021<sup>1</sup>
- Placement will raise \$776,000 cash (before costs), reduce debt by \$193,600 and, subject to shareholder approval, raise an additional \$100,000 cash and reduce debt by \$250,000
- Retail shareholders to be given opportunity to participate through a new entitlement offer, with the current entitlement offer withdrawn.
- Funds raised to be applied towards expenditure incurred in and prior to the March quarter and current operational expenditure and working capital
- June quarter activities planned to be funded by combination of Placement proceeds, improved operational efficiencies, disciplined cash management, improved supplier credit terms, undrawn facilities as well as the proceeds from the new entitlement offer and part of the net proceeds from the sale of its first shipment
- First shipment expected by end of June quarter and close of the Traxys project finance also planned in June quarter

On 23 April 2019, Axiom Mining Limited ('Axiom' or 'the Company') provided a market update in relation to its operations and activities ('San Jorge Nickel Update'). Axiom has also provided its March quarterly cashflow report and activities report (on 30 April and 2 May 2019 respectively). Axiom now provides an update in relation to its funding position.

### Capital Raising – placement

Axiom is pleased to announce a private placement of up to 32,990,000 shares at an issue price of \$0.04 per share with an entitlement to Placees to receive for no further consideration a 1 for 1 attaching option exercisable at \$0.10 expiring 30 April 2021 (**Attaching Options**) to sophisticated and professional investors and investors to whom no disclosure is required, (**Placement**).

The issue of 24,240,000 placement shares has been completed. The issue raised \$776,000 of cash (before costs) which has been received and reduced debts of \$63,000 owing to an unrelated external consultant and \$130,600 owing to an unrelated third party supplier.

Axiom's offer of Attaching Options to placees is contained in a Prospectus lodged with the ASIC today. Axiom expects those offers to be accepted and the Attaching Options granted by Friday 17 May 2019.

---

<sup>1</sup> References to an Axiom share and Axiom option are references, respectively, to a CHESS Depository Instrument representing a unit of beneficial ownership in a fully paid ordinary share in Axiom registered in the name of CHESS Depository Nominees Pty Limited ACN 071 346 506 (**CDI**) and to an option to subscribe for such a CDI.

Axiom's second largest shareholder InCoR Holdings Limited has participated in the Placement. Also, as part of the Placement, Managing Director, Mr Ryan Mount has agreed, subject to shareholder approval to invest and subscribe for 2,500,000 shares and to take up his entitlement of 2,500,000 Attaching Options which on completion will raise a further \$100,000 cash and to accept 6,250,000 shares and 6,250,000 Attaching Options in lieu of \$250,000 of accrued but unpaid remuneration owing to him.

Funds raised under the Placement will be used to meet current expenditure and past expenditure incurred in and prior to the March quarter on mine development and operations focussed on the first shipment of nickel ore from its San Jorge project, as well as part of the anticipated operational expenditure and working capital requirements in the June quarter.

Subject to shareholder approval, the placement of 6,250,000 shares and 6,250,000 options to the Managing Director will reduce Axiom's liabilities by \$250,000 being the amount owed for accrued but unpaid remuneration. Axiom intends to hold a general meeting to seek shareholder approval in the June quarter.

The issue of placement shares and options will occur under its existing placement capacity under Listing Rule 7.1.

### **Shareholder participation – Entitlement Offer**

To enable shareholders to participate in the Company on the same terms as the placement terms and to raise additional funding, Axiom intends to make a non renounceable, pro rata entitlement offer to existing shareholders of 1 new Axiom share for every 5 Axiom shares held at the record date at an offer price of \$0.04 per share, plus, for every 1 new share issued, 1 attaching option exercisable at \$0.10 expiring 30 April 2021.

Further details of the new entitlement offer will be provided as soon as practicable.

### **June quarter funding**

Following the achievement of a number of significant recent milestones for the Company, including<sup>2</sup>:

- award of the 25 year mining lease at San Jorge;
- securing of the Traxys terms sheet for long term nickel ore offtake and project finance;
- commencement of mining and stockpiling activities in preparation for the first shipment of nickel ore from the project; and
- confirming Traxys as the buyer for the first shipment,

Axiom has made further progress during the March quarter in implementing project efficiencies, including to its organisational structure, supply chain costs and improved supplier terms. For example, Axiom has merged three of its Solomon Islands operational departments into one and transferred operational personnel previously based in Honiara to San Jorge now that facilities at San Jorge are established. Supply chain cost efficiencies have been achieved in the delivery of crude nickel laterite samples from Honiara to international geological laboratories and through bulk purchasing of food and other consumables such as fuel.

The cementing of these foundations of the business has also provided Axiom with further opportunities in labour, equipment and equipment finance and the ability to attract key industry management to Solomon Islands; facilitating its objective of conducting a profitable and efficient large scale nickel DSO business. For example, Axiom is attracting more qualified and skilled workers and managers seeking the opportunity to work for an operating mine. Also, a broader number of commercial alternatives for the supply of heavy machinery and equipment have become available.

---

<sup>2</sup> See announcements on 28 September 2018, 1 March 2019, 22 March 2019 and 24 April 2019 respectively.

Axiom plans to fund its June quarter activities through a combination of improved operational efficiencies, disciplined cash management and improved supplier credit terms, undrawn facilities, as well as the proceeds from the Placement, the new entitlement offer and part of the net proceeds from the sale of its first shipment. Once the first shipment is delivered, Axiom believes there will be further opportunities to efficiently finance the ongoing development of the project.

Traxys has agreed to purchase 55,000 WMT of nickel ore (+/(-) 10%) on customary nickel ore trading terms at a market price to be set closer to the time of delivery. The Company will receive up to 90% of the contracted cargo price (less marketing, freight and insurance) upon exchange of trade documents which occurs upon loading of nickel ore on to the ship. The balance will be paid upon delivery and final testing of the ore and weight at the final port of destination/delivery.

To conserve cash further, the Board of Directors has resolved to defer payment of directors' fees for 2019 (including \$85,000 of accrued but unpaid fees) until key operational milestones are achieved such as the first shipment of nickel ore and completion of project financing. As noted earlier, the Managing Director has agreed, subject to shareholder approval, to convert into shares \$250,000 of accrued but unpaid salary on the same terms as the Placement and, on completion of the conversion, has volunteered to reduce his salary by 50% to \$375,000 per year until further long term and value adding objectives are achieved. The precise operational milestones and the objectives that need to be achieved for the resumption of payment of Directors' fees and the payment of the Managing Director's remuneration at normal levels, have not yet been finally determined. However, the Board's intention is to link the achievement of important immediate value creating milestones with the remuneration of the Board and the Managing Director.

Axiom anticipates that it will be able to operate the San Jorge project on a positive cash flow basis once it is able to produce, deliver and sell regular shipments of product (assuming no material adverse change in market or operating conditions) and achieve the project efficiencies outlined above. An important part of this objective in the June quarter is to close the Traxys offtake and project finance terms sheet announced on 1 March 2019, which is now expected to be finalised towards the end of the June quarter. Axiom remains committed to this even though it has received approaches by third parties for short and long term sales contract/off-take for its product from San Jorge.

As at 29 April 2019, Axiom has extracted and stockpiled around 10,000 WMT of nickel ore. It expects significant operational enhancements and the ending of the wet season will result in significantly improved production rates during the June quarter.

#### **June quarter sources and uses of funds**

Axiom's anticipated sources and uses of funds in the June quarter (excluding any amount to be raised under the new entitlement offer) can be summarised as follows.

<b>Sources (A\$)</b>		
Cash on hand at 1 April 2019		\$212,000
Undrawn facilities		\$172,000
Completed placement (before costs)		\$776,000
Placement to Managing Director – subject to shareholder approval		\$100,000
Net proceeds from first shipment	\$1,600,000 – 1,900,000	
<b>Total sources</b>	<b>\$2,860,000 – 3,160,000</b>	

<b>Uses (A\$)</b>		
	<b>Minimum</b>	<b>Per March quarterly cashflow report (subject to funding)</b>
Exploration and evaluation	\$150,000	\$200,000
Development	\$280,000	\$1,000,000
Production	\$900,000	\$900,000
Staff costs	\$770,000	\$900,000
Administration and corporate costs	\$240,000	\$300,000
Title and permitting	\$125,000	\$125,000
<b>Total uses</b>	<b>\$2,465,000</b>	<b>\$3,425,000</b>
<b>Funding requirement</b>	<b>Nil</b>	<b>\$265,000 - \$565,000</b>

The material assumptions are:

- Shareholders approve the participation of the Managing Director in the Placement including his investment of \$100,000 cash and the grant of Attaching Options. If Managing Director' participation is not approved by shareholders, any cash received by Axiom on account of the investment will need to be returned to the Managing Director.
- The first shipment is delivered in the June quarter, necessary regulatory consents are issued and Traxys buys the first shipment on terms announced (see above). Each of these actions are currently progressing.
- In relation to the net proceeds from the first shipment:

<b>Grade</b>	1.6% nickel content to be achieved by targeting higher nickel grade saprolite which can be identified at the time of extraction by visual and technical means
<b>Nickel price</b>	US\$35 – US\$38 per wet metric tonne
<b>Quantity</b>	55,000 wet metric tonnes
<b>Exchange rate</b>	USD1:AUD0.70
<b>Marketing, freight and insurance costs</b>	\$1,079,000 - \$1,113,000
<b>Royalties</b>	Paid in September quarter

- Short term loan<sup>3</sup> of \$344,000 is fully drawn (as at 31 March 2019, partly drawn to \$172,000) and due 31 July 2019 and not payable in June quarter.
- The Managing Director does not require repayment of a \$134,000 short-term loan provided by him and his related entities to Axiom, which is repayable on demand. Axiom has been advised by the Managing Director that it his present intention not to require repayment until Axiom has the capacity to repay.

<sup>3</sup> See item 8 of the March 2019 quarter cash flow report

There are risks associated with the assumed receipt of net proceeds from the first shipment in the June quarter including the ability of Axiom to produce, load and deliver the required tonnage, the availability of vessels to take shipment, weather and adverse changes to fuel costs and exchange rate movements.

Axiom plans to meet any shortfall funding requirements for the June quarter from a combination of the proceeds of the new entitlement offer, support from trade creditors and further equity and debt raisings. Axiom considers there are reasonable prospects to raise the required funding and notes that Axiom has demonstrated ability to secure funding for the San Jorge Project.

Specific and general risks associated with an investment in Axiom including funding risk and going concern risk are also set out in the Prospectus lodged with the ASIC today.

### **Monthly reporting**

Commencing with the month of April 2019, Axiom will release to ASX's market announcements platform a monthly activities report and cashflow report (in the form in Appendix 5B of the Listing Rules). The reports will be provided by the end of the following calendar month.

### **Withdrawal of rights issue and refund of application monies**

Axiom has today lodged a supplementary prospectus withdrawing the rights issue contained in its prospectus dated 21 February 2019 (as supplemented by a supplementary prospectus dated 8 March 2019) and providing refunds of the application monies received. The ASIC has advised that it will revoke the interim stop order on the original prospectus on lodgement of the supplementary prospectus.

### **New Prospectus – Attaching Options Offer and to provide disclosure**

Axiom has also today lodged a prospectus containing an offer for Attaching Options in relation to the placement and that will act as a cleansing prospectus in respect of the issue of new securities (including the placement securities).

This announcement ends Axiom's requested voluntary suspension of trade of its securities on ASX.

For enquiries, please contact [contact@axiom-mining.com](mailto:contact@axiom-mining.com)

**ENDS**

### **About Axiom Mining Limited**

Axiom Mining Limited focuses on tapping into the resource potential within the mineral-rich Pacific Rim. Through dedication to forging strong bonds and relationships with the local communities and governments where we operate, Axiom Mining has built a diversified portfolio of exploration tenements in the Asia-Pacific region. This includes the San Jorge tenement in the Solomon Islands and highly prospective gold, silver and copper tenements in North Queensland, Australia. The Company is listed on the ASX. For more information on Axiom Mining, please visit [www.axiom-mining.com](http://www.axiom-mining.com)

### **Disclaimer**

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