

AXG Mining Ltd
(ASX: **AXC**)

ASX Announcement
30 September 2014



AMENDED FULL YEAR STATUTORY ACCOUNTS – 30 JUNE 2014

On 29 September 2014, AXG Mining Limited (“AXG Mining” or “the Company”) released its 2014 statutory annual report (“Report”) to the market. Subsequent to the release, discrepancies were noted in the directors’ shareholdings and other formatting issues which lead to amendments to the Report.

The directors’ shareholdings in the Report released on 29 September 2014 did not take into account the equities issued on 19 September pursuant to resolutions passed at the General Meeting of the Company which was held on 8 September 2014. This has now been updated and all formatting have been completed.

All other disclosures remain unchanged.

For and on behalf of the Board

Mr Robert Downey
Chairman

AXG MINING LIMITED

A.B.N. 93 092 304 964

and its controlled entities

AMENDED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2014

Corporate Directory

Directors

Robert Downey – Non Executive Chairman
Dean Goodwin – Managing Director
Guy Le Page – Non Executive Director

Company Secretary

Keith Bowker

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Principal Place of Business

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Website: axgmining.com.au

Share Registry

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Applecross WA 6953
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Stock Exchange Listing

ASX Code: AXC

Auditors

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Corporate Governance Statement

The Board of Directors ('Board') of AXG Mining Limited ('the Company') and its controlled entities ('the Group') is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	<p>The Board is responsible for the overall corporate governance of the Company.</p> <p>The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. A summary of those matters is set out in this Corporate Governance Statement.</p> <p>The Board has adopted a Delegations of Authority that sets limits of authority for senior executives.</p> <p>On appointment of a Director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board.</p>	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	Senior executives prepare strategic objectives that are reviewed and signed off by the Board. These objectives must then be met by senior executives as part of their key performance targets. The Chairman then reviews the performance of the senior executives against those objectives. The Board reviews the Chairman's compliance against his and the Company's objectives. These reviews occur annually.	Complies.
1.3	Provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	<p>A summary of the Board Charter is in this Corporate Governance Statement.</p> <p>The performance evaluation process for senior executives is summarised in this Corporate Governance Statement.</p> <p>The Board conducted a performance evaluation for senior executives in the financial year in accordance with the process summarised in this Corporate Governance Statement.</p>	Complies.

Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	<p>The Company has only one independent Director being Mr Robert Downey as Non Executive Chairman.</p> <p>Mr Dean Goodwin is not considered independent by virtue of his positions as Managing Director.</p> <p>Mr Guy Le Page is not considered independent as result of his significant shareholding in the Company.</p> <p>The Directors are satisfied that the composition and structure of the Board is appropriate for the size of the Company and the nature of its operations. The membership of the Board, its activities and composition is subject to periodic review.</p>	Does not comply.
2.2	The Chair should be an independent director.	The Chairman of the Board, Mr Robert Downey, is considered an independent Director.	Complies.
2.3	The roles of Chair and Chief Executive Officer or Managing Director should not be exercised by the same individual.	Mr Robert Downey is the Chairman and Dean Goodwin is the Managing Director.	Complies.
2.4	The Board should establish a nomination committee.	<p>The Company has not established a separate nomination committee. Given the Company’s current size and nature, the Board considers that the current Board is a cost effective and has a practical method of directing and managing the Company. Accordingly, the duties of the nomination committee are currently undertaken by the full Board. Each year the Board will review the necessity or ability to establish a separate nomination committee and, if appropriate, delegate certain responsibilities to such a committee.</p> <p>The Board has adopted a Nomination Committee Charter which it follows when considering matters that would usually be considered by a nomination committee.</p>	Does not comply.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	<p>The Board has established a Performance Evaluation Policy which covers the Board, its committees, if any, and its individual Directors.</p> <p>The Board as a whole will discuss and analyse its own performance on an annual basis including suggestions for change or improvement from individual Board members and senior management to examine ways to perform its duties more effectively.</p> <p>The Board’s induction program provides incoming Directors with information that will enable them to carry out their duties in the best interests of the Company. This includes supporting ongoing education of Directors for the benefit of the Company.</p>	Complies.

Principle 2 – Structure the Board to add value (Cont'd)			
2.6	Provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	<p>The skills, experience and expertise of by each Director are set out in the Directors' Report in this Annual Report.</p> <p>The Company has one independent Director. A Director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Refer to 2.1 above.</p> <p>Members of the Board are able to take independent professional advice at the expense of the Company, subject to prior consultation with the Chairman.</p> <p>Mr Robert Downey, Non Executive Chairman, was appointed to the Board on 8 September 2014.</p> <p>Mr Dean Goodwin, Managing Director, was appointed to the Board on 8 September 2014.</p> <p>Mr Guy Le Page, Non-Executive Director, was appointed to the Board on 19 December 2012.</p> <p>The Board has not established a nomination committee for the reasons set out in 2.4 above.</p> <p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company.</p>	Complies.
Principle 3 – Promote ethical and responsible decision making			
3.1	<p>Establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account the Company's legal obligations and the reasonable expectations of its stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	<p>The Board has adopted a Code of Conduct which provides a framework for decisions and actions in relation to ethical conduct of the Company's Directors, officers and employees.</p> <p>The Code of Conduct sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from management and employees. The Company encourages the reporting of matters that may cause financial and/or non-financial loss to the Company, or may damage the Company's reputation. All employees are responsible for reporting circumstances that may involve a breach of the Code of Conduct.</p> <p>The Company also has adopted a Securities Trading Policy that establishes a procedure for dealings in the Company's securities by Directors, senior executives, employees, and related parties, and also dealings in securities of other entities with whom the Company may have business dealings.</p>	Complies.

Principle 3 – Promote ethical and responsible decision making (Cont'd)			
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	The Board has established a Diversity Policy and is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level in the Company and on the Board.	Complies.
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	The Company is at a stage of its development that the application of measurable objectives in relation to gender diversity, at the various levels of the Company's business, are not considered to be appropriate nor practical. The Chairman monitors the scope and currency of the Diversity Policy and the Company is responsible for implementing, monitoring and reporting on the measurable objectives. Measurable objectives as set by the Board will be included in the annual key performance indicators for the CEO and/or Managing Director, and senior executives. In addition, the Board will review progress against the objectives as a key performance indicator in its annual performance assessment.	Does not Comply.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	The Company has included the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board at the end of this Corporate Governance Statement, under the section 'Diversity'.	Complies.
3.5	Provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	The Company has provided explanations of departures from Recommendations in relation to Principle 3.	Complies.
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	<p>The Board believes the Company is not currently of a sufficient size, nor its financial affairs of such complexity to justify the formation of an audit committee. The full Board undertakes the functions normally associated with an audit committee. Each year the Board will review the necessity or ability to establish a separate Audit and Risk Committee and, if appropriate, delegate certain responsibilities to such a committee.</p> <p>The Board has adopted an Audit and Risk Committee Charter which it follows when considering matters that would usually be considered by an audit committee.</p>	Does not comply.

Principle 4 – Safeguard integrity in financial reporting (Cont’d)			
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and has at least 3 members.	The Company has not established a separate Audit and Risk Committee for the reasons set out above.	Does not comply.
4.3	The audit committee should have a formal charter.	The Board has adopted a separate Audit and Risk Committee charter to assist it in performing the relevant functions. The Charter sets out the roles and responsibilities of the Audit and Risk Committee and contains information on the procedures for the selection, appointment and rotation of the external auditor.	Complies.
4.4	Provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	The Company has not established a separate Audit and Risk Committee for the reasons outlined above. Therefore, it has not disclosed the names and qualifications of the committee but has disclosed that the functions normally carried out by the committee are performed by the full Board.	Complies.
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has established a Continuous Disclosure Policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. Under the terms of the Continuous Disclosure Policy, the Chairman, Managing Director and Company Secretary are primarily responsible for making decisions about what information will be disclosed to the ASX. Approval is sought from the Board on all significant matters. Employees must inform the Managing Director, Chairman or Company Secretary of any potentially material price or value sensitive information as soon as they become aware of it.	Complies.
5.2	Provide the information indicated in the <i>Guide to reporting on Principle 5</i> .	The Company’s Continuous Disclosure Policy is soon to become available on its website together with all other policies, procedures and Board Charters.	Does not comply.

Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has designed a Shareholder Communications Policy for promoting effective communication with shareholders and encouraging their participation at general meetings. The Company uses its website, quarterly, interim and annual reports, market announcements and media disclosures to communicate with its shareholders. Additionally, the Company’s auditor representative attends the annual general meetings of the Company to answer any questions raised by shareholders about the conduct of the audit and preparation and content of the auditor’s report.	Complies.
6.2	Provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The Company’s Shareholder Communications Policy is soon to become available on its website.	Does not comply.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company has established policies for the oversight and management of material business risks. The Board is responsible for overseeing risk management strategies and policies, internal compliance and internal control. The Risk Management Policy summarised in this Corporate Governance Statement under the section titled ‘Risk’.	Complies.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company’s material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company’s management of its material business risks.	The Company has identified key risks within the business. In the ordinary course of business, management monitors and manages those risks. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back to the Board quarterly. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.	Complies.

Principle 7 – Recognise and manage risk (Cont'd)			
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the Chief Executive Officer and Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4	Provide the information indicated in the <i>Guide to reporting on Principle 7</i> .	<p>Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.</p> <p>The Company has received a statement of assurance from the Chief Executive Officer and Chief Financial Officer (or equivalent)</p> <p>The Risk Management Policy is available on the Company's web site and is summarised in this Corporate Governance Statement under the section titled 'Risk'.</p>	Complies.
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	<p>The Board has not established a separate Remuneration Committee. Given the Company's current size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. Accordingly, the duties of the Remuneration Committee are currently undertaken by the full Board. Each year the Board will review the necessity or ability to establish a separate Remuneration Committee and, if appropriate, delegate certain responsibilities to such Committee.</p> <p>The Board has adopted a Remuneration Committee Charter which it follows when considering matters that would usually be considered by a Remuneration Committee.</p>	Does not comply.
8.2	The remuneration committee should be structured so that it consists of a majority of independent Directors, is chaired by an independent chair and has at least three members.	Refer to 8.1 above.	Does not comply.

Principle 8 – Remunerate fairly and responsibly (Cont’d)			
8.3	Clearly distinguish the structure of non-executive directors’ remuneration from that of executive directors and senior executives.	The Company has separate policies relating to the remuneration of Non-Executive Directors and that of Executive Directors and senior executives. This information is detailed in the Remuneration Report, which forms part of the Directors’ Report in this Annual Report.	Complies.
8.4	Provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	The Company has not established a Remuneration Committee for the reasons outlined above. The Company does not have any schemes for retirement benefits. Explanations for departures from Recommendations 8.1 and 8.2 are set out above. The Securities Trading Policy, prohibits the hedging of risk of fluctuation of the value of the Company’s securities.	Complies.

AXG Mining Limited’s corporate governance practices were in place for the financial year ended 30 June 2014 and to the date of signing the Directors’ Report in this Annual Report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by AXG Mining Limited, refer to our website, www.axgmining.com.au. The website is currently being updated and should be operational in 4 weeks.

The Role of the Board and Management

In carrying out the responsibilities and powers set out in the Board Charter, the Board of Directors of the Company recognises:

- its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of its shareholders; and
- its duties and responsibilities to its employees, customers and the community.

In addition to matters it is expressly required by law to approve, the Board has the following specific responsibilities:

- appointment of the Chief Executive Officer and/or Managing Director, other senior executives and the Company Secretary and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management’s performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and adequacy and integrity of financial and other reporting;
- approving the annual, half-yearly and quarterly accounts;
- approving significant changes to organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company (subject to compliance with the ASX Listing Rules if applicable);
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules if applicable); and
- meeting with the external auditor, at their request, without management being present.

The Board delegates responsibility for the day to day operations and administration of the Company to the Managing Director. In addition to formal reporting structures, members of the Board are encouraged to have direct communications with management and other employees within the Company to facilitate the carrying out of their duties as Directors.

Composition of the Board

The Company's Constitution governs the regulation of meetings and proceedings of the Board.

The Board determines its size and composition, subject to the terms of the Constitution. The Board does not believe that it should establish a limit on tenure other than as stipulated in the Company's Constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its operations and, therefore, an increasing contribution to the Board as a whole. Where practical, it is intended that the Board should comprise a majority of independent Non-Executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. Where practical, it is also intended that the Chair should be an independent Non-Executive Director. The Board regularly reviews the independence of each Director in light of the interests disclosed to the Board.

The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Revised Principles and Recommendations. The Board reviews the independence of each Director in light of interests disclosed to the Board, including their participation in Board activities associated with related entities, from time to time.

In accordance with the definition of independence above, only one of the Directors of AXG Mining Limited is considered to be independent:

The appointment date of each Director in office at the date of this report is as follows:

Name	Position	Appointment Date	Resignation Date
Robert Downey	Non Executive Chairman	8 September 2014	-
Dean Goodwin	Managing Director	8 September 2014	-
Guy Le Page	Non Executive Director	19 December 2012	-
Gordon Sklenka	Executive Director, Managing Director and Chief Executive Officer	16 February 2005	8 September 2014
Roland Berzins	Executive Director	15 December 2005	8 September 2014

Further details on each Director can be found in the Directors' Report in this Annual Report.

Committees of the Board

Given the Company's current size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. Accordingly, the duties of the committees below are currently undertaken by the full Board:

- Audit and Risk Committee;
- Remuneration Committee; and
- Nomination Committee.

Each year the Board will review the necessity or ability to establish separate committees and, if appropriate, delegate certain responsibilities to each such committee.

Access to Advice

The Board, committees, if any, or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of such advice received is made available to all members of the Board.

Dealings in Company Securities

The Company's Securities Trading Policy outlines when Key Management Personnel (the Company's Directors and those employees directly reporting to the Managing Director) may deal in the Company's securities and contains procedures to reduce the risk of insider trading.

Key Management Personnel must not, except in exceptional circumstances, deal in the securities of the Company in the following periods:

- (i) from the day after the Company's half-year end, being 1 January, to the close of trading on the business day after the half-year report is released and the day of, and 1 trading day after the release of the Appendix 5B Report to the ASX;
- (ii) 1 April and 1 trading day after release of the Appendix 5B Report to the ASX;
- (iii) from the day after the Company's financial year end, being 1 July, to the close of trading on the business day after the annual report is released and the day of, and 1 trading day after the release of the Appendix 5B Report to the ASX;
- (iv) 1 October and 1 trading day after release of the Appendix 5B Report to the ASX.

As required by the ASX Listing Rules, the Company notifies the ASX of any transactions conducted by Directors in the securities of the Company within five business days of the transaction taking place.

The Securities Trading Policy prohibits Key Management Personnel from entering into transactions which would have the effect of hedging or transferring the risk of any fluctuation in the value of the Company's securities.

Risk

The responsibility of overseeing risk usually falls within the charter of the Audit and Risk Committee. However, there is currently no separate Audit and Risk Committee. Given the Company's current size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. Accordingly, the duties of the Audit and Risk Committee, including overseeing risk management, are undertaken by the full Board.

The Company has established a Risk Management Policy for the oversight and management of material business risks.

The Company will:

- oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements;
- assist management to determine the key risks to the businesses and prioritise work to manage those risks; and
- review reports by management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

The risk assessment is aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the Company, which is being done through natural or instinctive processes by employees of the Company;
- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance policies, or ensuring compliance reporting is up to date.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

CEO and CFO certification

The Chief Executive Officer and Chief Financial Officer (or equivalent) have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- the financial statements of the Company present a true and fair view, in all material aspects, of the Company's financial position and operating results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects in relation the financial reporting risks.

Performance

The performance of the Board and key executives is reviewed regularly using both measurable and qualitative indicators.

On an annual basis, Directors will provide written feedback in relation to the performance of the Board and its Committees, if any, against a set of agreed criteria.

- Feedback will be collected by the Chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board;
- The Managing Director will also provide feedback from senior management in connection with any issues that may be relevant in the context of Board performance review; and
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

A review of the performance of the Board was conducted in accordance with the process disclosed.

Remuneration

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. To assist in achieving this objective, the Board, in assuming the responsibilities of assessing remuneration to employees, links the nature and amount of Executive Directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company; and
- performance incentives that allow executives to share in the success of AXG Mining Limited.

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by Directors and key executives in the current financial year, please refer to the Remuneration Report, which forms part of the Directors' Report in this Annual Report.

There is no scheme to provide retirement benefits to Non-Executive (or Executive) Directors.

The duties of the Remuneration Committee are currently undertaken by the full Board, which is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Managing Director and executive team.

Diversity

The Company and all its related bodies corporate are committed to workplace diversity. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefitting from all available talent. Diversity includes, but is not limited to gender, age, ethnicity and cultural background.

As stated earlier, the Company is at a stage of its development that the application of measurable objectives in relation to gender diversity, at the various levels of the Company's business, are not considered to be appropriate nor practical.

The participation of women in the Company and consolidated entity at 30 June 2014 was as follows:

- Women employees in the consolidated entity, senior management positions and on the Board 0%

Directors' Report

Your Directors present their report together with the annual report of the Group, being AXG Mining Limited ('AXG Mining' or 'the Company') and its controlled entities ('the Group'), for the financial year ended 30 June 2014.

Principal activities and significant changes in the nature of operations.

The Group's principal activity is mining exploration.

During the year the Company acquired options over 3 Exploration Licences located in the highly prospective Fraser Range region of Western Australia. The Fraser Range is host to the Nova discovery by Sirius Resources Limited which is one of the most significant new mineral discoveries in Western Australia over the last three years. The Company intends to raise funds to commence exploration on these tenements.

Operating results and review of operations

Operating results

The net loss of the Group after income tax for the financial year amounted to \$500,217 (2013: loss of \$2,206,178).

Review of operations

On 5 March 2013, the Company announced that it had executed a 12 month option agreement with XTL Energy International Limited over 3 strategic Albany – Fraser Range tenements. Under the option agreement, the Company may acquire a 100% interest in:

- E63/1547 (Mt Ridley);
- E63/1564 (Mt Ridley E –W); and
- E63/1617 (Mt Ridley N).

The Fraser Range project has substantial ground holding covering 3 tenements for 840km² in an emerging nickel province. Although based on limited exploration activity, the area has a base and precious metal focus. The area is thought to have exposure to a range of potential commodities typical of these deposit styles, including Ni, Cu, Co, PGE's, Zn, Ag, and Au. The rationale for the Company entering into the option agreement include:

- The Fraser Range is close to existing infrastructure providing a low cost of exploration and mining; and
- Experienced management and technical teams are dedicated to development of the Fraser Range Project.

E63/1547 (Mt Ridley): (AXG Mining: 100%) was granted on 13 February 2013 and acquired by the Company on 5 March 2014.

On 25 July 2014, the Company notified XTL Energy International Limited that it was exercising its option right to take up a 100% interest in E63/1564 (Mt Ridley E-W). This tenement consists of 87 tenement blocks covering around 250km². The tenement was granted on 31 July 2013. Consideration for the acquisition was 14,285,714 fully paid ordinary shares in the Company. These shares were issued to XTL Energy International Limited subsequent to the year-end following shareholder approval at the Company general meeting held on 8 September 2014.

The Board intends to exercise its option right to take up a 100% interest in E63/1617 (Mt Ridley N.). The consideration for the acquisition will consist of further fully paid ordinary shares to be issued to XTL Energy International Limited. The issue of shares will require shareholder approval at the Company's annual general meeting to be held on or before 30 November 2014.

As a consequence of the Fraser Range acquisition, the Company completed a review of the Company's entire operations and finances. The Board decided to:

- relinquish options on both the Condorama and Coparaque Projects;
- convert a number of amounts owed to Directors, creditors and loans to equity;
- consolidate the capital of the Company on a 1 for 7 basis; and
- execute a capital raising mandate to raise necessary funding for the Company via convertible notes.

Shareholder's approved these initiatives and others in a general meeting, dated 4 October 2013.

Financial position

The net liabilities of the Group total \$172,896 (2013: \$262,270).

Dividends paid or recommended

No dividends were paid or declared during the financial year. No recommendation for the payment of dividends has been made.

After balance date events

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than the Directors calling a meeting of shareholders on 8 September 2014 and seeking shareholder approval on the following items:

- To issue 250,000,000 fully paid ordinary shares at an issue price of \$0.002 per share along with one free attaching unlisted option exercisable at \$0.0125 on or before 31 August 2019 for every one share issued to the subscribers ('Placement'); and
- To issue 4,000,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share and 10,000,000 unlisted options exercisable at \$0.0125 on or before 31 August 2019 to Mr Dean Goodwin (or his nominee/s), a Director of the Company; and
- To issue 10,000,000 unlisted options exercisable at \$0.0125 on or before 31 August 2019 to Mr Robert Downey (or his nominee/s), a Director of the Company; and
- Approval to be given to allow Mr Dean Goodwin (or his nominee/s) to take part in the Placement and to issue 50,000,000 fully paid ordinary shares at an issue price of \$0.002 per share and 50,000,000 free attaching unlisted options exercisable at \$0.0125 on or before 31 August 2019; and
- Approval to be given to allow Mr Robert Downey (or his nominee/s) to take part in the Placement and to issue 10,000,000 fully paid ordinary shares at an issue price of \$0.002 per share and 10,000,000 free attaching unlisted options exercisable at \$0.0125 on or before 31 August 2019; and
- To issue 7,500,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Mr Guy Le Page (or his nominee/s) in lieu of director's fees payable; and
- To issue 6,072,500 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Mr Roland Berzins (or his nominee/s) in lieu of director's fees payable; and
- To issue 7,150,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Mr. Gordon Sklenka (or his nominee/s) in lieu of director's fees payable; and
- To issue 14,285,714 fully paid ordinary shares at a deemed issue price of \$0.004 per share to XTL Energy International Limited as consideration for the exercise of the option to acquire EL63/1564; and
- To ratify the issue of 21,428,571 fully paid ordinary shares at a deemed issue price of \$0.004 per share to XTL Energy International Limited; and
- To issue 13,542,500 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Edwards Motors Pty Ltd (or their nominee/s) in lieu of loans payable; and
- To issue 37,500,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share to RM Corporate Finance; and
- To issue 5,000,000 unlisted options exercisable at \$0.0125 on or before 31 August 2019 to Mr Keith Bowker (or his nominee/s), the Company Secretary of the Company; and
- To issue of 18,750,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Halston Exploration Inc. (or their nominee/s), being an unrelated creditor of the Company.

On 19 September 2014, the Company issued 250,000,000 fully paid ordinary shares at \$0.002 per share, 108,800,714 fully paid ordinary shares at a deemed issue price of \$0.004 per share and 275,000,000 unlisted options exercisable at \$0.0125 on or before 31 August 2019 following shareholder approval on the above resolutions at the general meeting held on 8 September 2014.

On 5 March 2013, AXG Mining executed an option to acquire 100% of three tenements covering over 800km² in the Albany-Fraser Range province from XTL Energy International Limited, a Perth based unlisted public company.

E63/1547 (Mt Ridley) (AXG Mining: 100%) was granted on 13 February 2013 and acquired by the Company on 5 March 2014. The license consists of 165 blocks covering approximately 475 km². Perth based Southern Geoscience Consultants have been engaged to complete the interpretation of the 2012 Airborne EM survey with results due shortly. Subject to results it is proposed to follow up with a ground EM survey in the near term. Previous explorers have identified a layered mafic intrusion that is yet to be subject to any detailed follow up exploration.

On 25 July 2014, the Company notified XTL Energy International Limited that it was exercising its option right to take up a 100% interest in E63/1564 (Mt Ridley E-W). This tenement consists of 87 tenement blocks covering around 250km². The tenement was granted on 31 July 2013. Consideration for the acquisition was 14,285,714 fully paid ordinary shares in the Company. These shares were issued to XTL Energy International Limited subsequent to the year-end following shareholder approval at the Company general meeting held on 8 September 2014.

Future development, prospects and business strategies

The anticipated developments, together with the Group's current strategy of continuous improvements and adherence to quality control in existing markets, are expected to assist the Group in developing new business opportunities.

Other than this, the Directors believe that disclosure of further information regarding developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental issues

The Group is currently subject to and required to comply with all aspects of the environmental regulation for its exploration and mining activities. The Directors are not aware of any environmental law that is not being complied with. Furthermore, in the course of their natural activities, if so required, the Group will undertake to comply with all the required aspects of the applicable environmental regulations.

Greenhouse gas and energy data reporting requirements

The Group is not currently subject to the reporting requirements of either the *Energy Efficiency Opportunities Act 2006* or the *National Greenhouse and Energy Reporting Act 2007*.

The Energy Efficiency Opportunities Act 2006.

The Group is required to assess its energy usages, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. As a result of this Act, the Group is not required to participate.

Information on Directors

The names of the Directors in office at any time during or since the end of the year are:

Robert Downey – Non Executive Chairman (appointed on 8 September 2014)

Dean Goodwin – Managing Director (appointed on 8 September 2014)

Guy Le Page – Non Executive Director

Gordon Sklenka – Executive Director (resigned on 8 September 2014)

Roland Berzins – Executive Director and Group Company Secretary (resigned on 8 September 2014)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

REMUNERATION REPORT (audited)

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

This report outlines the remuneration arrangements in place for Key Management Personnel (“KMP”) of the Group in accordance with the *Corporations Act 2001* and its regulations. These remuneration disclosures have been audited.

For the purposes of this report KMP’s of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly. The Group did not have any other KMP’s other than its Directors.

Remuneration Philosophy

The performance of the Group depends upon the quality of its Directors. To prosper, the Group must attract, motivate and retain highly skilled Directors.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre directors; and
- Link director’s rewards to shareholder value.

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Directors of the Group. The Board remuneration policy is to ensure the remuneration package, which is not linked to the performance of the Group, properly reflects the person’s duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non Executive Director and senior manager remuneration is separate and distinct.

Non Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board may, from time to time, consider advice from external consultants as well as the fees paid to Non Executive Directors of comparable companies when undertaking the annual review process. Each Director receives a fee for being a Director of the Group.

Non Executive Directors are encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the Company whose Board he or she sits.

The remuneration of Non Executive Directors for the year ending 30 June 2014 is detailed below.

Executive Director Remuneration Structure

Based on the current stage in the Group’s development, its size, structure and strategies, the Board considers that the key performance indicator in assessing the performance of Executive Directors (“Executives”) and their contribution towards increasing shareholder value is share price performance over the review period.

Individual and Group operating targets associated with traditional financial and non-financial measures are difficult to set given the small number of Executives and their need to be flexible and multi-tasked, as the Group responds to a continually changing business environment. Consequently, a formal process of defining Key Performance Indicators (KPI’s) and setting targets against the KPI’s has not been adopted at the present time.

Remuneration consists of the following key elements:

- Fixed remuneration;
- Variable remuneration;
- Short term incentives (STI); and
- Long term incentives (LTI).

The proportion of fixed remuneration and variable remuneration is established for each Executive by the Board.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Group and individual performance, relevant comparable remuneration in the mining exploration industry and, from time to time, external advice. Executives receive their fixed remuneration in cash.

There are no fringe benefits at the present time.

Variable Remuneration – Short Term Incentive (STI)

The objective of the STI is to link the increase in shareholder value over the year with the remuneration received by the Executives charged with achieving that increase. The total potential STI available is set at a level so as to provide sufficient incentive to the Executives to achieve the performance goals and such that the cost to the Group is reasonable in the circumstances.

Annual STI payments granted to each Executive depend on their performance over the preceding year and are based on recommendations from the Managing Director following collaboration with the Board. Typically included are measures such as contribution to strategic initiatives, risk management and leadership/team contribution.

The aggregate of annual STI payments available for Executive is subject to the approval of the Board. Payments are usually delivered as a cash bonus. There were no STI payments during the financial year.

Variable Remuneration – Long Term Incentive (LTI)

The objective of the LTI plan is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance.

The level of LTI granted is, in turn, dependent on the Group's recent share price performance, the seniority of the Executive and the responsibilities the Executive assumes in the Group.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options are issued in accordance with the Group's Share Option Plan.

Typically, the grant of LTI's occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time. However, under certain circumstances, including breach of employment conditions, the Directors may cause the options to expire prior to their vesting date. In addition, individual performance is more commonly rewarded over time through STI's. There were no LTI payments during the financial year.

Use of Remuneration Consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2014.

2014	Short-term employee benefits			Post-employment benefits		Share-based payments		Total
	Cash salary and fees (a)	Cash bonus	Non monetary benefits	Super-annuation	Termination benefits	Ordinary Shares (b)	Options	
Name	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non Executive Director</i>								
Guy Le Page	26,000	-	-	-	-	2,000	-	28,000
Sub-total Non Executive Director	26,000	-	-	-	-	2,000	-	28,000
<i>Executive Directors</i>								
Gordon Sklenka (c)	54,000	-	-	-	-	-	-	54,000
Roland Berzins	22,000	-	-	-	-	2,000	-	24,000
Sub-total Executive Directors	76,000	-	-	-	-	2,000	-	78,000
Total key management personnel compensation	102,000	-	-	-	-	4,000	-	106,000

(a) Cash salary and fees accrued for the year

(b) Fully paid ordinary shares issued to the Director's in lieu of Director fees

(c) Includes Director's fees of \$24,000 and consulting fees of \$30,000.

2013	Short-term employee benefits			Post-employment benefits		Share-based payments		Total
	Cash salary and fees (a)	Cash bonus	Non monetary benefits	Super-annuation	Termination benefits	Options		
Name	\$	\$	\$	\$	\$	\$	\$	
<i>Non Executive Directors</i>								
Guy Le Page	12,000	-	-	-	-	-	12,000	
Sub-total Non Executive Directors	12,000	-	-	-	-	-	12,000	
<i>Executive Directors</i>								
Gordon Sklenka*	90,000	-	-	-	-	-	90,000	
Roland Berzins	24,000	-	-	2,160	-	-	26,160	
Sub-total Executive Directors	114,000	-	-	2,160	-	-	116,160	
Total key management personnel compensation	126,000	-	-	2,160	-	-	128,160	

* Includes Director's fees of \$24,000 and consulting fees of \$66,000.

(a) Cash salary and fees accrued for the year

C. SERVICE AGREEMENTS

There are no specific KMP contracts with the individual Directors. Director fees and consulting fees are based on shareholder approval, director fee structure and corporate governance procedure.

Shareholdings held by key management personnel

Ordinary Shares

Directors	Balance 01.07.13	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.14
Mr. G. A. Sklenka	11,606,013	-	-	18,821,132	30,427,145
Mr. R. H. Berzins	2,420,000	-	-	14,854,285	17,274,285
Mr. G. Le Page	-	-	-	5,000,000	5,000,000
Total	14,026,013	-	-	38,675,417	52,701,430

* Net change other refers to shares purchased or sold, and 1 for 7 consolidation of shares during the financial year.

Directors	Balance 01.07.12	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.13
Mr. A. Bajada**	13,569,965	-	-	1,780,035	15,350,000
Mr. G. A. Sklenka	11,606,013	-	-	-	11,606,013
Mr. R. H. Berzins	2,420,000	-	-	-	2,420,000
Mr. G. Le Page	-	-	-	-	-
Total	27,595,978	-	-	1,780,035	29,376,013

* Net change other refers to shares purchased or sold during the financial year.

**As at resignation date.

Options

Directors	Balance 01.07.13	Granted as Remuneration	Other Changes*	Vested and Exercisable at 30.06.14
Mr. G. A. Sklenka	-	-	-	-
Mr. R. H. Berzins	-	-	-	-
Mr. G. Le Page	-	-	2,500,000	2,500,000
Total	-	-	2,500,000	2,500,000

* Options granted as a one for two free attaching Options for the shares issued for debt financing agreement fees.

END OF AUDITED SECTION

Directors' Particulars

Mr. G A Sklenka **Executive Director – resigned on 8th September 2014**

Qualifications B. Comm.

Experience Mr. Sklenka graduated from the University of Western Australia with a Bachelor of Commerce majoring in accounting and finance. He has over 19 years' experience in corporate finance in the areas of capital raisings, IPO's, acquisitions and project finance in the resource and technology sectors. Mr. Sklenka has worked with a number of listed public companies in both Australia and Canada and developed extensive experience in Group formation, capital raising and project acquisition.

Other directorships Mr. Sklenka is currently a director of Tribune Resources NL (since 16/8/2004) and Rand Mining NL (since 16/8/2004).

Other directorships in the last three years.

Vector Resources Ltd (6/1/2004 – 11/1/2011).

Kilgore Oil and Energy Ltd (26/9/2007 – 29/8/2011).

Advanced Energy Limited (since 10/11/2004 – 19/12/2012).

Remuneration Mr. Sklenka received director's fees of \$24,000 (2013: \$24,000) and consulting fees of \$30,000 (2013: 66,000).

Interest in shares At the date of this report, Mr. Sklenka has an indirect interest of 36,490,570 fully paid ordinary shares and nil options.

Mr. Roland H Berzins **Group Secretary and Executive Director, resigned on 8th September 2014**

Qualifications B Comm. ACPA FFIN TA.

Experience Mr. Berzins graduated from the University of Western Australia with a Bachelor of Commerce majoring in accounting and finance. Mr. Berzins has over 23 years' experience in the mining industry and was previously Chief Accountant for 6 years for Kalgoorlie Consolidated Gold Mines Pty Ltd. Since 1996 Mr. Berzins has been Group secretary for a variety of ASX listed companies, and has also had experience in retail, merchant banking, venture capital and SME business advisory.

Other directorships Mr. Berzins is currently a director of:

Odin Energy Ltd (since 18/2/2009)

Acuvax Limited (since 27/01/2012)

Other directorships in the last three years.

Palace Resources Ltd (20/5/2005 to 3/9/2011)

Remuneration Mr. Berzins received \$24,000 (2013: \$24,000) in director's fees.

Interest in shares At the date of this report, Mr. Berzins has a direct and indirect interest of 36,917,856 fully paid ordinary shares and nil options.

Mr. Guy Le Page	Non Executive Director - appointed on 19 December 2012
Qualifications	B.A., BSc (Hons), MBA, MAusIMM, FFIN
Experience	<p>Mr Le Page is currently a Director & Corporate Adviser of RM Corporate Finance specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles.</p> <p>Mr Le Page was Head of Research at Morgan Stockbroking Limited (Perth) prior to joining Tolhurst Noall as a Corporate Advisor in July of 1998. As Head of Research, Mr Le Page was responsible for the supervision of all Industrial and Resources Research. As a Resources Analyst, Mr Le Page published detailed research on various mineral exploration and mining companies listed on the Australian Securities Exchange. The majority of this research involved valuations of both exploration and production assets.</p> <p>Prior to entering the stockbroking industry, he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology, and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.</p> <p>Mr Le Page holds a Bachelor of Arts, a Bachelor of Science and a Masters' Degree in Business Administration from the University of Adelaide, a Bachelor of Applied Science (Hons) from the Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.</p>
Other directorships	<p>Mr. Le Page is currently a director of:</p> <p>Tasman Resources Limited (since 2/06/2001) Soil Sub Technologies Ltd (since 7/01/2010) Eden Energy Ltd (3/02/2006) Palace Resources Limited (since 07/08/2009) Conico Limited (since 30/03/2006) Red Sky Energy Limited (since Feb '09)</p> <p>Other directorships in the last three years.</p> <p>AAQ Holdings Limited (29/10/2010 to 14/3/2011)</p>
Remuneration	Mr. Le Page received \$28,000 (2013: \$12,000) in director's fees.
Interest in shares	At the date of this report, Mr. Le Page has a direct and indirect interest of 20,000,000 fully paid ordinary shares (2013: nil).
Interest in options	Mr. Le Page has a direct and indirect interest of 2,500,000 options on ordinary shares (2013: nil).

Mr. Robert Downey	Non Executive Chairman - appointed on 8 September 2014
Experience	<p>Mr. Downey is a barrister and solicitor of the Supreme Court of Western Australia. He commenced work with Phillips Fox in the areas of energy, corporate law and mining.</p> <p>In 2001 he joined law firm Blakiston & Crabb specialized in advising oil and gas and mining companies in relation a range of legal issues, including IPO's, mergers and acquisitions and general AIM, ASX and ASX Listing Rule advice.</p> <p>Mr. Downey established an independent corporate advisory firm during 2005 and was involved with the IPO listings of various mining and oil and gas companies on ASX and at the same time held directorships of a number of these companies.</p> <p>Mr. Downey is the founding executive director of Instinct Energy Ltd (since April 2010) and is a director of Minrex Resources NL. In October 2012, Mr. Downey in conjunction with two former colleagues established Thompson Downey Cooper and now specializes as a corporate resource lawyer.</p>
Other directorships	<p>Mr. Downey is currently a director of: Kairiki Energy Limited (since 13 February 2013) Minrex Resources NL (since 8 September 2014)</p> <p>Other directorships in the last three years.</p> <p>Nil</p>
Interest in shares	<p>At the date of this report, Mr. Downey has a direct and indirect interest of 10,000,000 fully paid ordinary shares.</p>
Interest in options	<p>Mr. Downey has a direct and indirect interest of 20,000,000 options on ordinary shares.</p>
Mr. Dean Goodwin	Managing Director - appointed on 8 September 2014
Qualifications	<p>BAppSc (Geology), MAIG</p>
Experience	<p>Mr. Goodwin is a geologist with over 25 years exploration experience which has included acting as Head of Geology at Focus Minerals Limited and a six year period as Managing Director of Barra Resources Ltd (2004-2010).</p> <p>Mr. Goodwin also spent 6 years as an exploration geologist with Western mining Corporation Ltd and was involved discovering the Intrepid, Redoubtable & Santa Anna gold deposits at Lake Lefroy with WMC. Whilst with WMC he worked closely with the nickel exploration team.</p> <p>In 1994, he joined Rolute Ltd as Senior Exploration Geologist, spending 5 years in Kalgoorlie managing exploration for Chalice, Higginsville, Bullabulling and Bulong projects. In 1999, Mr. Goodwin was appointed as Senior Exploration Geologist with LionOre Limited and whilst at the Bounty Gold Mine operations, he was responsible for the discovery of several small gold deposits. More recently, he has been working as an independent contract geologist exploring for nickel sulphides throughout Western Australia.</p> <p>Mr. Goodwin quality's as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.</p>
Other directorships	<p>Mr. Goodwin is currently a director of: Goldphyre Resources Limited</p> <p>Other directorships in the last three years.</p> <p>Nil</p>

Interest in shares	At the date of this report, Mr. Goodwin has a direct or indirect interest of 54,000,000 fully paid ordinary shares.
Interest in options	Mr. Goodwin has a direct and indirect interest of 60,000,000 options on ordinary shares.

Company Secretary

Mr. Keith Bowker (appointed 8 September 2014)

Mr. Bowker is a Chartered Accountant and is a founding director of the Somerville Advisory Group, a firm which specializes in providing financing reporting, compliance, corporate advisory services and company secretarial services to ASX listed companies predominately within the resources sector. Mr. Bowker is currently Non-Executive Director and Company Secretary of Caeneus Minerals Ltd.

Meetings of Directors

During the financial year twelve meetings of Directors were held. Attendances, including circulating resolutions were:

Directors	Number eligible to attend	Number attended
G A Sklenka	12	12
R H Berzins	12	12
G Le Page	12	12

Indemnifying Officers

The Group has paid premiums to insure each of the current Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Group, other than conduct involving a wilful breach of duty in relation to the Group.

Disclosure of the nature of the liabilities covered and the amount of the premium is prohibited by a confidentiality clause in the contract of insurance.

Proceedings on Behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 57.

Non-audit Services

The Group's auditors did not provide non-audit services during the financial year.

Financial Position

The independent auditor's report contains an emphasis of matter in respect of the existence of a material uncertainty which may cast significant doubt about the Company's and Group's ability to continue as going concerns and therefore, the Company and Group may be unable to realise their assets and discharge their liabilities in the normal course of business.

Further information, including the basis that Directors believe that there are reasonable grounds to believe that the Company and Group will continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report can be found in Note 1.

Company Strategy

AXG Mining is currently focussing upon an aggressive exploration program on its current portfolio of projects, with the objective of identifying and exploiting commercial resources.

The Company is also continuing to consider and evaluate opportunities within Australia, for future potential acquisitions which may offer value enhancing opportunities for shareholders.

Material business risks that may impact results of future operations include further exploration results, future commodity prices and funding.

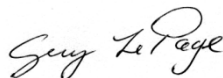
Corporate Governance

The Directors of the Group support and adhere to the principles of corporate governance, recognizing the need for the highest standard of corporate behaviour and accountability. A corporate governance statement precedes this director's report.

Auditor

Somes Cooke continues in office in accordance with Section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors.



G T Le Page
Director

Dated this 30th day of September 2014
Perth, Western Australia

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTE	CONSOLIDATED	
		YEAR ENDED 30 JUNE 2014 \$	YEAR ENDED 30 JUNE 2013 \$
Revenue	4	213,152	651,156
Employee benefit revenue/(expenses)		1,550	(195,620)
Consulting expenses		(138,837)	(157,954)
Exploration expenses		(77,217)	(16,025)
Compliance and regulatory expenses		(62,337)	(82,308)
Impairment expense - exploration and evaluation	11	-	(1,862,000)
Impairment expense - loan receivable	8	(42,291)	(333,877)
Impairment expense – convertible notes	9	(235,000)	-
Impairment expense – available for sale financial assets		(63,509)	-
Director fees		(76,000)	(72,500)
Administration expenses		(19,728)	(137,050)
Loss from continuing operations before income tax expense		(500,217)	(2,206,178)
Income tax expense	5	-	-
Net loss for the year		(500,217)	(2,206,178)
Other comprehensive income			
Net changes in the fair value of available-for-sale financial assets		-	-
Other comprehensive income net of tax		-	-
Total comprehensive income for the year		(500,217)	(2,206,178)
Basic and diluted loss per share (cents per share)	26	(0.3)	(1.3)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

		CONSOLIDATED	
	NOTE	AT 30 JUNE 2014 \$	AT 30 JUNE 2013 \$
CURRENT ASSETS			
Cash and cash equivalents	7	208	504
Trade and other receivables	8	6,327	25,237
TOTAL CURRENT ASSETS		6,535	25,741
NON-CURRENT ASSETS			
Financial assets	9	31,915	290,424
Exploration and evaluation	11	332,857	190,000
Formation expenses		1,614	1,614
TOTAL NON-CURRENT ASSETS		366,386	482,038
TOTAL ASSETS		372,921	507,779
CURRENT LIABILITIES			
Trade and other payables	12	235,074	493,249
Provisions	14	22,795	30,300
Borrowings	13	287,948	246,500
TOTAL CURRENT LIABILITIES		545,817	770,049
TOTAL LIABILITIES		545,817	770,049
NET (LIABILITIES)		(172,896)	(262,270)
EQUITY			
Issued capital	15(a)	14,301,821	13,727,230
Share options reserve	16(a)	15,000	-
Financial assets reserve	16(c)	(124,616)	(124,616)
Accumulated losses	17	(14,365,101)	(13,864,884)
TOTAL EQUITY		(172,896)	(262,270)

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

	Issued Capital	Options Reserve	Accumulated Losses	Financial Assets Reserve	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2013	13,727,230	-	(13,864,884)	(124,616)	(262,270)
Total comprehensive income for the year	-	-	(500,217)	-	(500,217)
Shares issued on conversion of notes	50,000	-	-	-	50,000
Share based payments	504,884	-	-	-	504,884
Share issued to exercise option over tenement	142,857	-	-	-	142,857
Options issued (Note 16)	-	15,000	-	-	15,000
Capital raising costs	(123,150)	-	-	-	(123,150)
Balance at 30 June 2014	14,301,821	15,000	(14,365,101)	(124,616)	(172,896)
	Issued Capital	Options Reserve	Accumulated Losses	Financial Assets Reserve	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2012	13,408,407	-	(11,658,706)	(124,616)	1,625,085
Total comprehensive income for the year	-	-	(2,206,178)	-	(2,206,178)
Shares issued during the year	30,000	-	-	-	30,000
Share based payment expense	40,000	-	-	-	40,000
Acquisition of Peruvian Project (Note 16)	105,000	-	-	-	105,000
Acquisition of Fraser Range Tenement (Note 16)	155,000	-	-	-	155,000
Capital raising costs	(11,177)	-	-	-	(11,177)
Balance at 30 June 2013	13,727,230	-	(13,864,884)	(124,616)	(262,270)

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

	Note	YEAR ENDED 30 JUNE 2014 \$	YEAR ENDED 30 JUNE 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(203,594)	(136,011)
Interest received		-	6
Net cash used in operating activities	19(b)	(203,594)	(136,005)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for available for sale financial assets		(2,000)	-
Net cash used in the investing activities		(2,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing		138,448	96,500
Proceeds from issue of convertible notes		70,000	-
Proceeds from capital raising		-	30,000
Payment of capital raising costs		(3,150)	(11,178)
Net cash provided by financing activities		205,298	115,322
Net decrease in cash held		(296)	(20,683)
Cash and cash equivalents at the beginning of the financial year		504	21,187
Cash and cash equivalents at the end of the financial year	7, 19(a)	208	504

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The annual report of AXG Mining Limited (or 'the Company') for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30th September 2014.

The consolidated financial statements of AXG Mining Limited as at, and for the year ended, 30 June 2014 comprises the Company and its subsidiaries (together referred to as "the Group")

AXG Mining Limited is an ASX listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, AXG Mining Limited, have not been presented within this annual report as permitted by amendments made to Corporations Act 2001.

The principal activity of the Group is exploration for minerals.

The address of the registered office is Suite 1, 56 Kings Park Road, West Perth, WA 6005.

The Company's summarised financial information is disclosed separately in Note 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The annual report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this annual report are presented below and have been consistently applied unless otherwise stated.

Historical cost convention

The annual report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current basis, financial assets and financial liabilities.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(x).

Going concern

This report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the year ended 30 June 2014 of \$500,217 (2013: \$2,206,178) and experienced net cash outflows from operations of \$161,894 (2013: \$136,005). As at 30 June 2014, the Group had net liabilities of \$172,896 (30 June 2013: \$262,270).

The Directors recognise that the ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the Group to secure additional funding through either the issue of further shares and or options, convertible notes or entering into negotiations with third parties regarding the sale and or farm out of assets of the Group or a combination thereof.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The Group is confident that it will successfully raise additional funds to meet its financial obligations in future years.

In relation to the expenditure commitment for the Australian granted licenses, the Directors:

- will pursue potential farm out activities on the Group's exploration assets;
- will seek, where appropriate, to obtain exemptions on exploration and mining tenements where minimum expenditure commitments have previously been met or where resources have been defined and are awaiting mining leases approval;
- expect that major shareholders of the Group will support fund raising as has been demonstrated in past share issues to the existing shareholder base.

The Directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises. Notwithstanding this, there is uncertainty whether the Group will be able to continue as a going concern.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

(b) Comparison and changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in previous years. Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(c) Foreign currency translation

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation (continued)

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in Other Comprehensive Income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

(d) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in profit and loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 5 years

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(e) Exploration and evaluation expenditure

It is the Group's policy to capitalise the cost of acquiring rights to explore areas of interest. All other exploration expenditure is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

The costs of acquisition are carried forward as an asset provided rights to tenure are current, and one of the following conditions are met:

- Such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence of otherwise recoverable reserves, and active and significant operations in relation to the area are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Recoverable amount and impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment and exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(g) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Consolidated Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the balance sheet.

(h) Trade and other receivables

Trade and other receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debts.

(i) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(m) Share based payment transactions

The Group may provide benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Group has one plan in place that provides these benefits. It is the Employee Share Option Plan ("ESOP") which provides benefits to all employees including directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Share based payment transactions (continued)

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black Scholes model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of AXG Mining Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled ("the vesting period"), ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the year is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of loss per share.

During the financial years 2014 and 2013, no share based payment transaction to the benefit of employees (including Directors) was enacted or carried out.

(n) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

(o) Loss per share

Basic loss per share is calculated as net loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the parent adjusted for:

- cost of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Loss per share (continued)

- other non-discriminatory changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(p) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability 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; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where 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 income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference 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; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(q) GST

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- 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 part of receivables or payables in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) GST (continued)

Cash flows are included in the Consolidated Statement of Cash Flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

(r) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

During the financial years 2014 and 2013, no long service leave entitlement provision was made, based on the limited length of service of the Group's employees.

(iii) Superannuation

Contributions made by the Group to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

(s) Associates

Associate companies are companies in which the Group has significant influence through, holding directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition changes in the Group's share of net assets of the associate Group. In addition the Group's share of the profit or loss of the associate Group is included in the Group's statements of comprehensive income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume to recognition of its share of those profits once its share of profits equals the share of losses not recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the entities controlled by the AXG Mining Limited at the end of the reporting period.

A controlled entity is any entity AXG Mining Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Details of controlled entities are at Note 27 to the financial statements. The controlled entities have a June 30 financial year end. Where controlled entities have entered or left the Group during the year, the financial performance of these entities is included only for the period of the year that they were controlled.

All inter-Group balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

(u) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

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

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

All transaction costs incurred in relation to business combinations are expensed to the statement of comprehensive income.

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

(v) Financial instruments

Recognition and Initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for the financial assets that are delivered within timeframes established by market place convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as fair value through profit and loss. Transaction costs related to instruments classified at fair value through profit and loss are expensed to profit and loss immediately. Financial instruments are classified and measured as set out below:

Derecognition

Financial assets are derecognised where the contractual rights to receive cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the assets. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference in the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non cash assets and liabilities assumed, is recognised in the profit and loss.

Financial Assets at Fair Value through Profit and Loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial instruments (continued)

Realised and unrealised gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

Loans and receivables are non - derivative financial assets with fixed or determined payments what are not quoted on an active market and are stated at amortised cost using the effective interest rate method.

Held to Maturity Assets

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held to maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Available for Sale Financial Assets

Available for sale financial assets include any assets not included in the above categories. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity

Financial Liabilities

Non derivative financial liabilities are recognised at amortised costs, comprising original debt less principal repayments and amortisation.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. For the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement

Exchange differences arising from translation of foreign operations are transferred directly to the Group's foreign translation reserve in the balance sheet. These differences are recognised in the income statement for the period.

During 2014 and 2013 financial years, the group had no exposure to foreign currency transactions and balances.

(x) Critical Estimates and Judgments

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management.

Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale, joint venture or some other means.

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes which would impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Critical Estimates and Judgments (continued)

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if the activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalise expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Such capitalised expenditure is carried at 30 June 2014 at \$332,857 (2013: \$190,000).

(ii) Taxation

Balances disclosed in the financial statements and the notes related to taxation, are based on the best estimates of Directors and take into account the financial performance and position of the Group as they pertain to current income tax legislation, and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the best estimate, pending assessment by the tax authorities.

(iii) Share Based Payments

Share-based payment transactions, in the form of options are valued using the pricing models. Models use assumptions and estimates as inputs.

(y) Adoption of New and Revised Accounting Standards

Australian Accounting Standards and Interpretations applicable for the first time for the year ended 30 June 2014 have not had a material impact on the figures or disclosure in these financial statements. Australian Accounting Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014 would not have had a material impact on these financial statements if they had been adopted early.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term investments. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

	Consolidated	
	2014	2013
	\$	\$
Financial assets		
Cash and cash equivalents	208	504
Trade and other receivables	6,327	25,237
Financial assets	31,915	290,424
	38,450	316,165
Financial liabilities		
Trade and other payables	235,074	493,249
Provisions	22,795	30,300
Borrowings	287,948	246,500
	545,817	770,049

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

Risk Exposures and Responses

(a) Interest rate risk exposure

The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, for the variable interest rate variances.

During 2014 and 2013, interest earned from the Group's cash balances was not significant.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk exposure

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the balance sheet represents the Group's maximum exposure to credit risk in relation to those assets.

The Group trades only with recognised, credit worthy third parties and as such, based upon the credit worthiness of the third party and or the magnitude of the transaction, collateral may or may not be requested.

Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

(c) Liquidity risk

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

The Group manages liquidity risk by continually:

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

(d) Capital Management

The Group's capital risk management objectives are to safeguard the Group's ability to continue as a going concern, in order to provide for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital (being equity and corporate debt).

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets.

(e) Foreign exchange risk

The Group has withdrawn from its international operations and thus is not significantly exposed to foreign exchange risk.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

(f) Fair values

The fair values of financial assets and financial liabilities as presented in the table below have been determined in respect of financial assets and financial liabilities, with reference to the carrying amount of such assets and liabilities in the consolidated statement of financial position, determined in accordance with the accounting policies disclosed in note 2 to the financial statements. The valuation of all financial assets and liabilities other than available for sale assets, which has been based on closing quoted bid prices at the end of the reporting period, has been based on inputs other than quoted prices.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial liability and financial asset maturity analysis at fair value

Consolidated	Weighted Average effective interest rate %	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
		2014	2013	2014	2013	2014	2013	2014	2013
Financial liabilities due for payment									
Trade and other payables	-	235,074	493,249	-	-	-	-	235,074	493,249
Borrowings	-	287,948	246,500	-	-	-	-	287,948	246,500
Total expected outflows		523,022	739,749	-	-	-	-	523,022	793,249
Financial assets - cash flows realisable									
Cash and cash equivalents	-	208	504	-	-	-	-	208	504
Trade and other receivables	-	6,327	25,237	-	-	-	-	6,327	25,237
Available-for-sale financial assets	-	3,815	-	3,100	30,424	-	-	6,915	30,424
Total anticipated inflows		10,350	25,741	3,100	30,424	-	-	13,450	56,165
Net (outflow)/inflow on financial instruments		(512,672)	(714,008)	3,100	30,424	-	-	(509,572)	(683,584)

		Consolidated	
4. REVENUE		2014	2013
		\$	\$
	Convertible note interest received	34,408	38,006
	Debt forgiveness ⁽ⁱ⁾	147,000	613,150
	Other	31,744	-
		213,152	651,156
(i)	During the year to 30 June 2014, borrowings of \$97,000 and trade and other payables of \$50,000 owing to non-related parties were forgiven.		
5. INCOME TAX EXPENSE		Consolidated	
		2014	2013
		\$	\$
(a)	The components of income tax expense comprise:		
	Current tax		
	Deferred tax	-	-
		-	-
(b)	Prima facie income tax expense (benefit) calculated at 30% of (loss) (2013: 30%)	(150,065)	(661,853)
	<u>Decrease in income tax benefit due to:</u>		
	Entertainment expenses	-	476
	Depreciation per accounts	-	-
	Write off of capitalised exploration expenditure	-	-
	Others – impairment charges	101,640	658,762
	<u>Increase in income tax benefit due to :</u>		
	S40 – 880	(667)	(667)
	Tax deductible depreciation	-	-
	Income tax (benefit) on (loss)	(49,092)	(3,282)
	Tax losses not recognised as utilisation not probable	(49,092)	(3,282)
	Income tax expense / (benefit) on profit / (loss)	-	-
	Tax Losses		
(c)	Unused tax losses for which no deferred tax asset has been recognised	7,797,816	7,634,175
	Potential tax benefit at 30 % (2013 30%)	2,339,345	2,290,253
(d)	Unrecognised temporary differences		
	Deferred tax assets		
	Tax losses	(2,339,345)	(2,290,253)
		-	-

The fair values of financial assets and financial liabilities as presented in the table below have been determined

5. INCOME TAX EXPENSE (cont.)

The net deferred tax assets arising from these balances have not been recognised as an asset because recovery is not probable at the point in time. The recoupment of available tax losses as at the 30 June 2014 is contingent upon the following:

- (i) The Group deriving future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) The conditions for deductibility imposed by tax legislation continuing to be complied with; and
- (iii) There being no changes in tax legislation which adversely affect the Group from realising the benefit.

6 DIVIDENDS

The Directors did not and have not recommended a dividend to be issued.

7 CASH AND CASH EQUIVALENTS

	Consolidated	
	2014	2013
	\$	\$
Cash at bank	208	504
	208	504

8 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014	2013
	\$	\$
Loan receivable	1,709	44,000
Other receivables	4,618	(18,763)
Other debtors	6,327	25,237
	6,327	25,237

9 OTHER FINANCIAL ASSETS – NON-CURRENT

	Consolidated	
	2014	2013
	\$	\$
Convertible notes (i)	25,000	260,000
Available-for-sale financial assets (ii)	6,915	30,424
	31,915	290,424
	31,915	290,424

- (i) Notes in Advance Energy Limited. These were converted into shares in Advance Energy Limited (subsequently renamed Antilles Oil and Gas NL) in July 2014.
- (ii) Available-for-sale financial assets comprise listed investments at fair value.

10. PLANT & EQUIPMENT

	Consolidated	
	2014	2013
	\$	\$
Office equipment at cost	108,482	108,482
Less accumulated depreciation	(108,482)	(108,482)
	-	-
Movements in carrying amounts		
Balance at the beginning of the financial year	-	-
Depreciation expense	-	-
Carrying amount at the end of the financial year	-	-

11. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2014	2013
	\$	\$
Exploration and evaluation expenditure	332,857	190,000
<i>Movement in carrying amounts</i>		
Balance at the beginning of the year	190,000	1,862,000
Capitalised expenditure in year (Note 15)	142,857	190,000
Exploration expenditure – impairment	-	(1,862,000)
Balance at the end of the year	332,857	190,000

Recoverability of the above carrying amount is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2014	2013
	\$	\$
Trade creditors	177,034	281,866
Other creditors and accruals	58,040	211,383
	235,074	493,259

13. BORROWINGS

	Consolidated	
	2014	2013
	\$	\$
Loans – non- interest bearing – unsecured (i)	169,748	246,500
Loans – interest bearing – unsecured (ii)	118,200	-
	287,948	246,500

- (i) Unsecured
(ii) Unsecured. Interest rate of 10%

14. SHORT-TERM PROVISIONS

	Consolidated	
	2014	2013
	\$	\$
Annual leave	22,795	28,139
Super payable	-	2,161
	22,795	30,300

15. ISSUED CAPITAL

(a) Ordinary shares	2014	2014	2013	2013
	Shares	\$	Shares	\$
Ordinary shares fully paid	213,050,185	14,301,821	665,632,597	13,727,230
At beginning of financial year	665,632,597	13,727,230	518,132,597	13,727,230
Share based payments (Note 20)	396,384,000	396,384	-	-
Share consolidation – 1 for 7	(910,300,190)	-	-	-
Share based payments (Note 20)	15,500,000	108,500	-	-
Conversion of convertible notes	10,119,493	50,000	-	-
Fraser Range option exercised	35,714,285	142,857	-	-
Acquisition of Peruvian Project	-	-	15,000,000	105,000
Fraser Range option acquisition	-	-	77,500,000	155,000
Share issue	-	-	15,000,000	30,000
Share based payment	-	-	40,000,000	40,000
Capital raising costs on issue of shares	-	(123,150)	-	(11,177)
At end of financial year	213,050,185	14,301,821	665,632,597	13,727,230

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

As the shareholders' meeting, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on the show of hands.

(b) Capital Management

The Directors' objective when managing capital is to ensure that the Company can fund its operations and continue as a going concern, so that they may continue to provide returns to shareholders and benefits to other stake holders.

Due to the nature of the Company's activities, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet business development and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with the view to initiate appropriate capital raisings as required.

16. RESERVES

	Consolidated	
	2014	2013
(a) Option Reserve	\$	\$
Share option reserve pursuant to an issue of options	15,000	-
Movement in reserves		
At the beginning of the reporting year	-	-
Issue of options as part settlement of debt financing fees	15,000	-
At end of reporting year	15,000	-

(b) Movement in options

		2014	2014	2013	2013
		Options	\$	Options	\$
Jul 1	Opening balance	12,500,000	-	-	-
29-May-13	7c option expiring at 30 June 2016	-	-	12,500,000	-
24-Oct-13	Consolidation of 1 for 7	(10,714,285)	-	-	-
31-Oct-13	2.1c option expiring at 31 December 2016	7,500,000	15,000	-	-
13-Nov-13	2.1c option expiring at 31 December 2016	2,867,802	-	-	-
17-Dec-13	2.1c option expiring at 31 December 2016	2,191,945	-	-	-
Jun 30	Closing balance	14,345,462	15,000	12,500,000	-

	Consolidated	
	2014	2013
(c) Financial Assets Reserve	\$	\$
At the beginning of the reporting year	(124,616)	(124,616)
Fair value adjustment on available for sale financial assets	-	-
At end of reporting year	(124,616)	(124,616)

Nature and purpose of reserve:

The Fair value adjustment on available for sale financial assets reserve is used to recognise the prevailing value of assets available for sale but not exercised at the end of the year.

17. ACCUMULATED LOSSES

	Consolidated	
	2014	2013
	\$	\$
Accumulated losses at beginning of the year	(13,864,884)	(11,658,706)
Net loss attributable to members	(500,217)	(2,206,178)
Accumulated losses at end of year	<u>(14,365,101)</u>	<u>(13,864,884)</u>

18. COMMITMENTS AND CONTINGENT LIABILITIES

	2014	2013
	\$	\$
Not later than one year	247,000	-
Longer than one year, but not longer than five years	1,235,000	-
Longer than 5 years	988,000	-
Total	<u>2,470,000</u>	<u>-</u>

Performance Guarantees

Performance guarantees are held with the West Australian Department of Industry and Resources in respect to the Dalgara Gold Mine tenements. These Performance Guarantees are held in conjunction with the joint ventures partners and negotiations are continuing with regard to their release, following the surrendering of the titles – refer to Rehabilitation below.

Native Title Claims

Legislation developments and judicial decision (in particular the uncertainty created in the area of Aboriginal land rights by the High Court decision in the “Mabo” and “Wik” cases and Native Title legislation) may have an adverse impact on the Group’s ability to fund those activities. It is impossible at the time to quantify the impact (if any) that these developments may have on the Group’s operations.

The Group is aware of Native Title claims in respect of ground in which the Group has an interest. It is possible that further claims could be made in the future. However, the Group cannot determine whether any current claims, if made, will succeed and, if so, what the implications would be to the Group.

Rehabilitation

Following recent Department of Mining and Petroleum (“DMP”) Legislation developments, with respect to *Mining Rehabilitation Fund Act 2012* (“MRF”), all holders of tenements, including those that have been surrendered, are required to provide the DMP with accurate information of the types and areas of ground disturbance for each tenement.

The Company is aware of the DMP requirements in respect of ground in which the Company had an interest, the Dalgara Mine, in joint venture with a member of the Newcrest Mining Limited group (“Newcrest”).

Newcrest acted as Manager in respect to the joint venture and holds funds with respect to rehabilitation bonds on behalf of the Company for rehabilitation matters. Newcrest is currently preparing a program and budget with respect to the DMP request and possible synergies between the rehabilitation required to be undertaken and Gascoyne Resources Ltd's proposed mining operation in the same area as the surrendered tenements.

It is possible that further claims could be made in the future. However, the Company cannot determine whether any current claims, if made, will succeed and, if so, what the implications would be to the Company.

It is impossible at the time to quantify the impact (if any) that these developments may have on the Company's operations.

19. NOTES TO THE STATEMENT OF CASH FLOWS

a) Cash

Consolidated	
2014	2013
\$	\$
208	504

For the purposes of the Statement of Cash Flows cash includes cash on hand and cash on investment.

b) Reconciliation of Loss from Ordinary Activities after Income Tax to Net Cash Flows from Operations

Loss after income tax	(500,217)	(2,206,178)
Non-cash flows in profit from ordinary activities		
Debt forgiveness	(147,000)	-
Indebtness of Halston option fee	-	150,000
Share based payments	-	300,000
Impairment expenses	340,800	-
Interest income settled through investing activity	(34,408)	-
Changes in Assets and Liabilities		
Decrease/(Increase) in trade and other receivables relating to operating activities	(26,973)	1,839,843
Decrease in provisions	(7,505)	-
Increase/(decrease) in trade and other payables relating to operating activities	171,709	(219,670)
Cash flows (used) in operations	(203,594)	(136,005)

c) Non-cash investing and financing activities

During the year, the Company issued 35,714,285 fully paid ordinary shares post-consolidation with a deemed price of \$0.004 each for the Fraser Range tenement option acquisition as approved by shareholders in a General Meeting on 4 October 2013.

During the year, interest earned on convertible notes of \$34,408 was settled through the acquisition of shares in Advance Energy Ltd.

During the year, the Company number a number of share based payments, as outlined at Note 20.

20. SHARE BASED PAYMENTS

During the year ended 30 June 2014, AXG Mining Limited made the following share based payments in addition to those outlined at Note 19c:

- Convertible notes owing of \$50,000 were converted to ordinary shares in the Company
- Trade and other creditors owing of \$399,884 were settled through the issue of ordinary shares in the Company
- Capital raising costs of \$105,000 were settled through the issue of ordinary shares in the Company.

21. RELATED PARTY TRANSACTIONS

(a) Key Management Personnel

Disclosures relating to key management personnel are set out in Directors report.

(b) Related Party Transactions

At 30 June 2014 the following balances were owing to associated companies or companies associated with Directors as follows:

- Roland H Berzins, a company related to Roland Berzins - \$24,000 (2013: \$24,000) for Director's fees
- Greyplace Pty Ltd, a company related to Gordon Sklenka - \$24,000 (2013: nil) for Director's fees
- Springline Pty Ltd, a company related to Gordon Sklenka – nil (2013: \$24,000) for Director's fees; and nil (2013: \$66,000) for consulting fees
- Orequest Pty Ltd, a company related to GT Le Page - \$20,000 (2013: nil) for Director's fees
- GT Le Page & Associates Pty Ltd, a company related to GT Le Page - \$8,000 (2013: \$12,000) for director's fees
- Gordon Sklenka consulting fees of \$30,000

At 30 June 2014 there were no balances owed by associated companies or companies associated with Directors.

(c) Services Provided by Related Parties

During the year, the following services were provided by the Director's related parties:

- Onslow Resources Ltd, a company related to Roland Berzins - \$2,000 (2013: nil) for rent payment
- RM Corporate Finance Pty Ltd, a company related to GT Le Page - \$40,000 (2013: nil) for convertible note sign on fee
- Orequest Pty Ltd, a company related to GT Le Page - \$80,000 (2013: nil) for Convertible note sign on fee.

The above costs relating to RM Corporate Finance Pty Ltd and Orequest Pty Ltd, totalling \$120,000 were settled through:

- The issue of shares in the Company: \$105,000
- The issue of options: \$15,000 – Note 16

22. PARENT ENTITY DISCLOSURES

Financial position

The parent entity of the Group is AXG Mining Limited.

	Parent	
	Year Ended 30 June 2014	Year Ended 30 June 2013
	\$	\$
Assets		
Current assets	5,770	432,083
Non- current assets	257,898	240,113
Total Assets	263,668	672,196
Liabilities		
Current liabilities	470,509	620,049
Total Liabilities	470,509	620,049
Net Assets	(206,841)	52,147
Equity		
Issued capital	14,301,820	13,727,230
Accumulated losses	(14,421,195)	(13,572,617)
Reserves		
Options reserve	15,000	-
Financial assets reserve	(102,466)	(102,466)
Total Reserves	(87,466)	(102,466)
Total Equity	(206,841)	52,147

	Parent	
	Year Ended 30 June 2014	Year Ended 30 June 2013
	\$	\$
Statement of financial position for the year of the parent company	(848,578)	(1,879,809)
Other comprehensive income	-	-
Total comprehensive income for the financial year	(848,578)	(1,879,809)

AXG Mining Limited has not entered into any guarantees in relations to the debts of its subsidiaries and has no material contingencies or commitment, other than those referred to in other parts of this report.

23. OPERATING SEGMENTS

The Group has identified that it operates in only one segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's principle activity is mineral exploration.

Basis of accounting for purposes of reporting by operating segments

All amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

24. AUDITORS REMUNERATION

	2014	2013
	\$	\$
Remuneration of the auditor of the Group for:		
- Audit and review services – Somes Cooke	20,000	36,000
- other services	-	-
	<u>20,000</u>	<u>36,000</u>

25. SUBSEQUENT EVENTS

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than the Directors calling a meeting of shareholders on 8 September 2014 and seeking shareholder approval on the following items:

- To issue 250,000,000 fully paid ordinary shares at an issue price of \$0.002 per share along with one free attaching unlisted option exercisable at \$0.0125 on or before 31 August 2019 for every one share issued to the subscribers ('Placement'); and
- To issue 4,000,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share and 10,000,000 unlisted options exercisable at \$0.0125 on or before 31 August 2019 to Mr Dean Goodwin (or his nominee/s), a Director of the Company; and
- To issue 10,000,000 unlisted options exercisable at \$0.0125 on or before 31 August 2019 to Mr Robert Downey (or his nominee/s), a Director of the Company; and
- Approval to be given to allow Mr Dean Goodwin (or his nominee/s) to take part in the Placement and to issue 50,000,000 fully paid ordinary shares at an issue price of \$0.002 per share and 50,000,000 free attaching unlisted options exercisable at \$0.0125 on or before 31 August 2019; and
- Approval to be given to allow Mr Robert Downey (or his nominee/s) to take part in the Placement and to issue 10,000,000 fully paid ordinary shares at an issue price of \$0.002 per share and 10,000,000 free attaching unlisted options exercisable at \$0.0125 on or before 31 August 2019; and
- To issue 7,500,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Mr Guy Le Page (or his nominee/s) in lieu of director's fees payable; and
- To issue 6,072,500 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Mr Roland Berzins (or his nominee/s) in lieu of director's fees payable; and
- To issue 7,150,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Mr. Gordon Sklenka (or his nominee/s) in lieu of director's fees payable; and
- To issue 14,285,714 fully paid ordinary shares at a deemed issue price of \$0.004 per share to XTL Energy International Limited as consideration for the exercise of the option to acquire EL63/1564; and
- To ratify the issue of 21,428,571 fully paid ordinary shares at a deemed issue price of \$0.004 per share to XTL Energy International Limited; and
- To issue 13,542,500 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Edwards Motors Pty Ltd (or their nominee/s) in lieu of loans payable; and
- To issue 37,500,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share to RM Corporate Finance; and
- To issue 5,000,000 unlisted options exercisable at \$0.0125 on or before 31 August 2019 to Mr Keith Bowker (or his nominee/s), the Company Secretary of the Company; and
- To issue of 18,750,000 fully paid ordinary shares at a deemed issue price of \$0.004 per share to Halston Exploration Inc. (or their nominee/s), being an unrelated creditor of the Company.

AXG Mining Ltd and its controlled entities
ABN 93 092 304 964
Directors' Report

On 19 September 2014, the Company issued 250,000,000 fully paid ordinary shares at \$0.002 per share, 108,800,714 fully paid ordinary shares at a deemed issue price of \$0.004 per share and 275,000,000 unlisted options exercisable at \$0.0125 on or before 31 August 2019 following shareholder approval on the above resolutions at the general meeting held on 8 September 2014.

On 5 March 2013, AXG Mining executed an option to acquire 100% of three tenements covering over 800km² in the Albany-Fraser Range province from XTL Energy International Limited, a Perth based unlisted public company.

E63/1547 (Mt Ridley) (AXG Mining: 100%) was granted on 13 February 2013 and acquired by the Company on 5 March 2014. The license consists of 165 blocks covering approximately 475 km². Perth based Southern Geoscience Consultants have been engaged to complete the interpretation of the 2012 Airborne EM survey with results due shortly. Subject to results it is proposed to follow up with a ground EM survey in the near term. Previous explorers have identified a layered mafic intrusion that is yet to be subject to any detailed follow up exploration.

On 25 July 2014, the Company notified XTL Energy International Limited that it was exercising its option right to take up a 100% interest in E63/1564 (Mt Ridley E-W). This tenement consists of 87 tenement blocks covering around 250km². The tenement was granted on 31 July 2013. Consideration for the acquisition was 14,285,714 fully paid ordinary shares in the Company. These shares were issued to XTL Energy International Limited subsequent to the year-end following shareholder approval at the Company general meeting held on 8 September 2014.

26. LOSS PER SHARE	2014	2013
	\$	\$
(a) Reconciliation of loss to net loss		
Net Loss	(500,217)	(2,206,178)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic LPS	156,872,195	174,806,716
Basic loss per share (cents per share)	(0.3)	(1.3)

For comparative purposes, last years weighted average share price has been amended as if the 7 for 1 share conversion had taken place at the beginning of the prior year.

In addition to the above ordinary shares, the Group has on issue 12,559,747 options (2013: 12,500,000) that could potentially dilute basic loss per share in the future. These options have not been included in the calculation of diluted loss per share due to being anti-dilutive for the year.

27. CONTROLLED ENTITIES

AXG Mining Limited held a 100% interest in AXG Queensland Pty Ltd, Greencode Pty Ltd, and Mining and Petroleum Projects Limited as at 30 June 2014 and 2013. All companies were incorporated in Australia.

AXG Mining Limited is the head entity within the tax consolidation group for all Australian incorporated companies.

DIRECTORS' DECLARATION

The Directors of the AXG Mining Limited declare that:

1. in the Directors' opinion, the financial statements and accompanying notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and other mandatory professional reporting requirements, and
 - b. give a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 (a) confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

The Directors have been given the declaration by the Chief Executive Officer and the Chief Financial officer required by Section 295A of the *Corporations Act 2001*.

The remuneration disclosures included in section A to C of the Directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the *Corporations Act 2001*; and

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



GUY LE PAGE
Director

DATED at PERTH this 30th day of September 2014

Perth Western Australia

Auditor's Independence Declaration

To those charged with the governance of AXG Mining Limited

As auditor for the audit of AXG Mining Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Somes COOKE

Somes Cooke

Nicholas Hollens

Nicholas Hollens
Partner

Perth

30 September 2014

Independent Auditor's Report To the members of AXG Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of AXG Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of AXG Mining Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of matter - Inherent uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes that the ability of the company to continue as a going concern is dependent on the ability of the Group to raise additional Share Capital. As a result there is material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 22 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AXG Mining Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



Somes Cooke



Nicholas Hollens
30 September 2014
Perth

ADDITIONAL SHAREHOLDERS INFORMATION AS AT 29 SEPTEMBER 2014

Number of Shareholders and Unmarketable Parcels

There were 591 shareholders, including 332 with an unmarketable parcel valued at less than \$500.

Distribution of Ordinary Shareholdings

	No. of holders	% of holders	No. of shares	% of shares
1 - 1,000	29	4.91%	14,953	0.00%
1,001 - 5,000	148	25.04%	355,666	0.06%
5,001 - 10,000	64	10.83%	461,860	0.08%
10,001 - 100,000	179	30.29%	8,222,922	1.44%
100,001 and over	171	28.93%	562,795,498	98.42%
TOTALS	591	100%	571,850,899	100%

Twenty Largest Ordinary Shareholders

Ranking	Name	Fully Paid Shares Held	%
1	MOUNT STREET INVESTMENTS PTY LTD <THE M J BLAKE S/F A/C>	82,600,000	14.44%
2	SKYmist ENTERPRISES PTY LTD	75,000,000	13.12%
3	XTL ENERGY INTERNATIONAL LTD	47,295,714	8.27%
4	RELIANT RESOURCES PTY LTD <GOODWIN ENTERPRISES FAM A/C>	39,000,000	6.82%
5	GREYPLACE PTY LTD <THE SKLENKA SUPER FUND A/C>	36,490,570	6.38%
6	MBE FINANCE PTY LTD <HILLSDEN FAMILY A/C>	25,000,000	4.37%
7	SEALBLUE INVESTMENTS PTY LTD	24,185,357	4.23%
8	OREQUEST PTY LTD <THE CNT FAMILY A/C>	22,188,706	3.88%
9	COLLEVILLE MANAGEMENT PTY LTD	20,000,000	3.50%
10	RELIANT RESOURCES PTY LTD <GOODWIN FAMILY S/F A/C>	15,000,000	2.62%
11	REDATE PTE LTD	15,000,000	2.62%
12	MR ROLAND HOLGER BERZINS & MRS CAROL MAREE BERZINS	12,703,928	2.22%
13	MRS STELLA EMILY DOWNEY	10,000,000	1.75%
14	WILURA GROUP LIMITED	9,375,000	1.64%
15	PANGOLIN VENTURE LTD	9,375,000	1.64%
16	SUPERSTRUCTURE INTERNATIONAL PTY LTD	6,000,714	1.05%
17	MRS JENNIFER LEE MARQUET	5,575,000	0.97%
18	RM CORPORATE FINANCE PTY LTD	5,000,000	0.87%
19	JOCAPH PTY LTD	5,000,000	0.87%
20	PERSHING AUSTRALIA NOMINEES PTY LTD <INDIAN OCEAN A/C>	4,530,000	0.79%
TOTAL OF TOP 20 SHAREHOLDERS		469,319,989	82.07%

Voting Rights

At a general meeting of the Company, shareholders are entitled:

- On a show of hands, each person who is a member or sole proxy has one vote.
- On a poll, each shareholder is entitled to one vote for each fully paid share.

AXG Mining Ltd and its Controlled Entities
ABN 93 092 304 964
Additional Shareholder Information

Substantial Shareholders (over 5%)

Name	Fully Paid Shares Held	%
MOUNT STREET INVESTMENTS PTY LTD <THE M J BLAKE S/F A/C>	82,600,000	14.44%
SKYMIST ENTERPRISES PTY LTD	75,000,000	13.12%
RELIANT RESOURCES PTY LTD <GOODWIN ENTERPRISES FAM A/C>	39,000,000	
RELIANT RESOURCES PTY LTD <GOODWIN FAMILY S/F A/C>	15,000,000	9.44%
XTL ENERGY INTERNATIONAL LTD	47,295,714	8.27%
SEALBLUE INVESTMENTS PTY LTD	24,185,357	
MR ROLAND HOLGER BERZINS & MRS CAROL MAREE BERZINS	12,703,928	
MR ROLAND BERZINS <JULIAN BERZINS A/C>	28,571	6.46%
GREYPLACE PTY LTD <THE SKLENKA SUPER FUND A/C>	36,490,570	6.38%

Unquoted Equity Securities

Name	Number of Options
SUPERSTRUCTURE INTERNATIONAL PTY LTD	1,785,714
TOTAL UNLISTED OPTIONS AT \$0.07 EXPIRING 30 JUNE 2016	1,785,714

Name	Number of Options
OREQUEST PTY LTD	5,000,000
RM CORPORATE FINANCE PTY LTD	2,500,000
TOTAL UNLISTED OPTIONS AT \$0.015 EXPIRING 31 DECEMBER 2016	7,500,000

Name	Number of Options
MKM SUPER FUND PTY LTD	2,004,387
NRL SUPER FUND PTY LTD	2,004,387
MAINBREAK SEC PTY LTD	1,050,974
TOTAL UNLISTED OPTIONS AT \$0.021 EXPIRING 31 DECEMBER 2016	5,059,748

Name	Number of Options
MOUNT STREET INVESTMENTS PTY LTD <THE M J BLAKE S/F A/C>	82,500,000
SKYMIST ENTERPRISES PTY LTD	75,000,000
RELIANT RESOURCES PTY LTD <GOODWIN ENTERPRISES FAM A/C>	45,000,000
MBE FINANCE PTY LTD <HILLSDEN FAMILY A/C>	25,000,000
MRS STELLA EMILY DOWNEY	20,000,000
RELIANT RESOURCES PTY LTD <GOODWIN FAMILY S/F A/C>	15,000,000
MR KEITH DOUGLAS BOWKER & MRS NYSSA LOIUSE BOWKER <THE BOWKER INVESTMENT A/C>	5,000,000
JOCAPH PTY LTD	5,000,000
MR VICTOR KIZON	2,500,000
TOTAL UNLISTED OPTIONS AT \$0.0125 EXPIRING 31 AUGUST 2019	275,000,000

Mining Tenement Schedule

Project	Tenement	Location	Holder	Interest - AXG
Fraser Range Tenement	E63/1547	WA	Fraka Investments Pty Ltd	100%
Fraser Range Tenement	E63/1564	WA	Global Metals NL	100%
Fraser Range Tenement (Option not yet exercised)	E63/1617	WA	Proto Resources & Investments Limited	Option to acquire