

AXG MINING LIMITED

ABN 93 092 304 964

AND CONTROLLED ENTITIES

**HALF-YEAR FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 December 2008**

**AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964**

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**AXG MINING LIMITED
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ABN 93 092 304 964**

DIRECTORS' REPORT

Your directors present their report on AXG Mining Limited for the half-year ended 31 December 2008.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Mr. Gordon Sklenka

Mr Roland Berzins

Mr A Bajada

REVIEW AND RESULTS OF OPERATIONS

The loss of the consolidated entity after income tax for the half-year ended 31 December 2008 amounted to \$274,249. (Half year ended 31 December 2007: profit \$473,024.)

SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the half year period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods other than as discussed below.

The consolidated entity announced that it has entered into a staged exploration and exploitation agreement with Mining and Petroleum Projects Ltd (MAPP) to acquire up to 100% interest in highly prospective exploration tenements located in the Koytendag and Tuvergyr regions of Turkmenistan.

Consideration for the acquisition of up to 100% of the shares in MAPP is to be paid in 3 stages upon successive milestones. In addition, a Performance and Hydrocarbon bonus is payable to MAPP upon achieving milestones in the development of the project

AUDITOR'S INDEPENDENCE DECLARATION

The Auditors Independence Declaration for the half year ended 31 December 2008 under section 307C of the Corporations Act 2001 is set out on page 4.

This report is signed in accordance with a resolution of the Board of Directors.



G Sklenka
Director

Dated this 10th day of March 2009

Perth, Western Australia.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of AXG Mining Limited and its Controlled Entity for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH PERTH AUDIT PARTNERSHIP



NICHOLAS HOLLENS
Principal

Dated this 10th day of March 2009

**AXG MINING LIMITED
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**AXG MINING LIMITED
CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	CONSOLIDATED GROUP	
	31 DECEMBER 2008 \$	31 DECEMBER 2007 \$
Revenues from ordinary activities	182,262	793,363
Employee benefit expenses	(38,424)	(46,128)
Consulting fees	(114,705)	(131,011)
Compliance and regulatory expenses	(43,381)	(46,859)
Exploration expenses written off as incurred	(9,110)	-
Occupancy costs	(21,437)	(26,529)
Depreciation and amortisation expense	(7,450)	(5,434)
Director fees	(45,000)	(48,333)
Administrative expenses	(177,004)	(119,211)
	<hr/>	<hr/>
Net profit/(loss) before income tax expense	(274,249)	369,858
Income tax benefit	-	103,166
	<hr/>	<hr/>
Net profit/ (loss) attributable to members of the parent entity	(274,249)	473,024
	<hr/> <hr/>	<hr/> <hr/>
Basic and diluted profit/(loss) per share (cents)	(0.0027)	0.62
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements.

**AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964**

**AXG MINING LIMITED
CONDENSED BALANCE SHEET
FOR THE HALF-YEAR ENDED
31 December 2008**

	Economic Entity	
	31 December 2008 \$	30 June 2008 \$
CURRENT ASSETS		
Cash and cash equivalents	1,930,002	3,091,376
Trade and other receivables	1,036,539	180,849
Financial assets	335,794	332,092
Other current assets	900,000	900,000
TOTAL CURRENT ASSETS	<u>4,202,335</u>	<u>4,504,317</u>
NON CURRENT ASSETS		
Property, plant and equipment	31,600	17,004
Other non current assets	144,979	343,890
Formation expenses	1,740	1,740
Exploration and evaluation expenditure	1,092,894	1,065,332
TOTAL NON CURRENT ASSETS	<u>1,271,213</u>	<u>1,427,966</u>
TOTAL ASSETS	<u>5,473,548</u>	<u>5,932,283</u>
CURRENT LIABILITIES		
Trade and other payables	155,547	138,182
Short - term provisions	28,272	31,212
TOTAL CURRENT LIABILITIES	<u>183,819</u>	<u>169,394</u>
TOTAL LIABILITIES	<u>183,819</u>	<u>169,394</u>
NET ASSETS	<u>5,289,729</u>	<u>5,762,889</u>
EQUITY		
Issued capital	8,955,670	8,955,670
Reserves	383,390	582,301
Retained losses	(4,049,331)	(3,775,082)
TOTAL EQUITY	<u>5,289,729</u>	<u>5,762,889</u>

The accompanying notes form part of these financial statements.

**AXG MINING LIMITED
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**AXG MINING LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED
31 DECEMBER 2008**

Economic Entity	Ordinary Shares	Other Reserves	Retained Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2008	8,955,670	582,301	(3,775,082)	5,672,889
Loss attributed to members of parent entity			(274,249)	(274,249)
Fair value transfer to financial assets reserve		(198,911)		(198,911)
Balance as at 31 December 2008	8,955,670	383,390	(4,049,331)	5,289,729

Economic Entity	Ordinary Shares	Other Reserves	Retained Losses	Total
Balance at 1 July 2007	6,073,370	477,500	(3,682,936)	2,867,934
Profit attributed to members of parent entity	-	-	473,024	473,024
Shares issued during the period	3,200,000	-	-	3,200,000
Options issued during the period	-	281,610	-	281,610
Cost of shares issued during the period	(314,098)	-	-	(314,098)
Balance as at 31 December 2007	8,959,272	759,110	(3,209,912)	6,508,470

The accompanying notes form part of these financial statements

**AXG MINING LIMITED
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**AXG MINING LIMITED
CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Economic Entity	
	Half Year Ended 31 December 2008 \$	Half Year Ended 31 December 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	718,411
Payments to suppliers and employees	(435,905)	(416,015)
Interest received	87,484	74,812
Dividends received	140	140
Net cash used in operating activities	<u>(348,281)</u>	<u>377,348</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investments	-	(48,000)
Payment for property, plant and equipment	(22,046)	-
Exploration expenditure incurred	(27,564)	-
Net cash used in investing activities	<u>(49,610)</u>	<u>(58,796)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	-	3,200,000
Cost of capital raising	-	(32,488)
Advances to other entities	(763,484)	-
Net cash provided by financing activities	<u>(763,484)</u>	<u>3,167,512</u>
Net increase / (decrease) in cash held	(1,161,375)	3,486,064
Cash and cash equivalents at the beginning of the period	3,091,377	1,104,213
Cash and cash equivalents at the end of the period	<u>1,930,002</u>	<u>4,590,277</u>

The accompanying notes form part of these financial statements.

**AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial statements are a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards, including Accounting Standard AASB 134: Interim Financial Reporting, and Australian Accounting Interpretations and other mandatory professional reporting requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting.'

It is recommended that the half-year financial report be read in conjunction with the annual financial report of AXG Mining Limited as at 30 June 2008 and any public announcements made by AXG Mining Limited during the half – year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008

Going Concern

The financial statements have been prepared on the going concern basis of accounting which assumes that the company will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

Reporting Basis and Conventions

The half year report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied

**AXG MINING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008 – (CONT.)

NOTE 2: PROFIT FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31 December 2008	31 December 2007
	\$	\$
Net gain from sale of tenements	-	717,861
Interest received	182,122	74,812
Dividends received	140	140
	<hr/>	<hr/>

NOTE 3 SEGMENT INFORMATION

The Company operates predominately in one business and geographical segment, being mineral exploration in Australia.

NOTE 4: ISSUANCES, REPURCHASES AND REPAYMENT OF EQUITY SECURITIES

Ordinary Shares	31 December 2008	31 December 2007
	\$	\$
At beginning of the period	8,955,670	6,073,370
Issued shares	-	3,200,000
Transaction costs arising from capital raisings	-	(314,098)
At the end of the period	<hr/> 8,955,670	<hr/> 8,959,272

Ordinary Shares	31 December 2008	31 December 2007
	No of Shares	No of Shares
At beginning of the period	99,750,000	59,750,000
Issued shares	-	40,000,000
At the end of the period	<hr/> 99,750,000	<hr/> 99,750,000

**AXG MINING LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008 – (CONT.)**

Options Reserve	31 December 2008 \$	31 December 2007 \$
At beginning of the period	759,110	477,500
Options issued	-	281,610
At the end of the period	759,110	759,110

Options Reserve	31 December 2008 No of Options	31 December 2007 No of Options
At beginning of the period	99,750,000	51,250,000
Options issued	-	48,500,000
At the end of the period	99,750,000	99,750,000

NOTE 5: CONTINGENT LIABILITIES

There were no contingent liabilities outstanding against the company at the end of the half year.

NOTE 6: SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the half year period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods other than as discussed below.

The Company announced that it has entered into a staged exploration and exploitation agreement with Mining and Petroleum Projects Ltd (MAPP) to acquire up to 100% interest in highly prospective exploration tenements located in the Koytendag and Tuvergyr regions of Turkmenistan.

Consideration for the acquisition of up to 100% of the shares in MAPP is to be paid in 3 stages upon successive milestones. In addition, a Performance and Hydrocarbon bonus is payable to MAPP upon achieving milestones in the development of the project

NOTE 7: DIVIDENDS

No dividends have been paid or declared in respect of the half year ended 31 December 2008.

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NOTE 8: CORRECTION OF PRIOR PERIOD ERROR

Historically, the Company has recognised deferred tax liabilities in relation to taxable differences payable on capitalised exploration and evaluation expenditure. The Company acknowledges that this treatment is not in accordance with AASB 112 and as such, the prior period Balance Sheet has been restated as follows:

Balance Sheet Extract

Balance Affected	Actual June 2008	Adjustment	Restated June 2008
	\$	\$	\$
NON CURRENT LIABILITIES			
Deferred tax liability	389,536	(389,536)	-
TOTAL NON CURRENT LIABILITIES	<u>389,536</u>	<u>(389,536)</u>	<u>-</u>
EQUITY			
Retained losses	(4,164,618)	389,536	(3,775,082)
TOTAL EQUITY	<u>5,373,353</u>	<u>389,536</u>	<u>5,762,889</u>

AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 11
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. give a true and fair view of the change to economic entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.


G Sklenka
Director

Dated this 10th day of March

2009

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AXG MINING LIMITED AND ITS CONTROLLED ENTITIES**

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of AXG Mining Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of AXG Mining Limited and its Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AXG Mining Limited and its Controlled Entities is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



NICHOLAS HOLLENS
Principal

Perth, WA

Dated this 10th day of March 2009