AXG MINING LIMITED

A.B.N. 93 092 304 964

and Controlled Entities

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2009

Corporate Directory

Directors

Alex Bajada – Non Executive Director and Chairman

Gordon Sklenka– Non Executive Director

Roland Berzins – Executive Director

Company Secretary

Roland Berzins

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ASX Code: AXC
ASX Code: AXCO

Auditors

WHK Horwarth
Chartered Accountants
Level 6
256 St Georges Tce
Perth WA 6000

Contents

30 September 2009

Dear Shareholders

Despite the financial turmoil of the past 12 months AXG Mining Ltd has progressed its operations in Turkmenistan in anticipation of an exclusive exploration agreement in that country.

The investments of the Company are being constantly reassessed given the market conditions and some tenements have been disposed of in order to reduce unnecessary costs.

The overheads of your Company are relatively small and your Board has maintained a low cost administration.

The Board of AXG Mining Ltd appreciates your patience and support in these difficult financial times and looks forward to a more profitable environment in the coming year.

Yours faithfully

Alex Bajada

Chairman

Corporate Governance Statement

APPROACH TO CORPORATE GOVERNANCE

AXG Mining Limited is committed to achieving and demonstrating the highest standards of corporate governance, consistent with the size and nature of the company.

As a listed entity, the company must comply with the Corporations Act 2001, the Australian Securities Exchange Listing Rules (ASX Listing Rules) and other laws.
ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Principles of Good Corporate Governance and Best Practice Recommendations ('Recommendations') released by the ASX Corporate Governance Council.

The Recommendations encourage the board to carefully consider the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

COMPLIANCE WITH ASX BEST PRACTICE RECOMMENDATIONS

The Company has made an early transition to the revised Recommendations published in August 2007, notwithstanding that it is not required to report against them until publication of the 2009 annual report.

Each listed company is required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations during the reporting period.

A listed company must identify any Recommendation that has not been followed and give reasons for not following it. Where a Recommendation has been followed for only part of the period, the Company must state the period during which it has been followed.

ASX PRINCIPLE 1:
Lay solid foundations for management and oversight

Recommendation 1.1
Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The board's objective is to increase shareholder value within an appropriate framework that ensures the Company's affairs are properly managed and controlled and sets the strategic business direction to be followed.

The powers reserved to the board include the following:

- establishment and maintenance of appropriate governance structures;
- the review and oversight of the company's strategic plan, setting goals and long term objectives with a view to maximising shareholder value;
- adopting an annual budget and reviewing financial performance;
- establishment of the control environment to provide for meaningful and timely information;
- providing the basis for the review of the performance of the board and its members and the senior management and their remuneration;
- the provision of a communication capability and the relevant procedures with all stakeholders in accordance with the continuous disclosure provisions and to comply with the relevant legal requirements;
- reviewing and ratifying systems of risk management;
- establishing a basis for approvals of capital expenditure, acquisitions and divestment; and
- setting high standards for ethical and corporate behaviour.

With the exception of matters reserved for the board, all other powers are delegated to senior management.

Recommendation 1.2:
Disclose the process for evaluating the performance of senior managers.

All senior managers, other than the chairman, are subject to a performance appraisal and remuneration review at least annually. As noted in Recommendation 8.1, such reviews are undertaken by the Remuneration Committee or the board in full and in accordance with the Company's performance based remuneration policy, details of which are set out in the Remuneration Report in the Directors' Report.

Recommendation 1.3:
Provide the information indicated in the Guide to reporting on Principle 1.

All Employees are required to maintain the highest levels of professional conduct in their interactions with each other and in representing the Company in the community in which they operate. Business relationships must be maintained in a manner, which is consistent with the principles of respect for others, integrity and fairness and which meet, as a minimum, the laws applicable to behaviour in the workplace. All employees must be mindful of the social ramifications of their actions, be aware of the local culture and behave accordingly. All employees and Board members are reviewed and critiqued accordingly

ASX PRINCIPLE 2:
Structure the Board to add value

Recommendation 2.1:
A majority of the board should be independent directors.

An AXG director is considered independent when he or she is independent of management (that is, non-executive), and free from any business or other relationship that could materially interfere with, or could be reasonably perceived to materially interfere with, the exercise of his or her unfettered and independent judgement.

Materiality is considered on a case by case basis by reference to the director's individual circumstances rather than general materiality thresholds. The AXG Board has made its own assessment to determine the independence of each director on the board.

In essence a non-executive director is deemed independent, if the director does not fail any of the following materiality thresholds:

- less than 10% of the Company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual director or indirectly associated with the director; and
- none of the directors' income of an individual or entity directly or indirectly associated with the director is received from a contract with any member of the economic entity other than income which is derived as a director of the entity.

The AXG Board comprises of the chairman (Mr. Alex Bajada), and Mr Gordon Sklenka (Non Executive Director) and Mr Roland Berzins (Executive Director).

The composition of the Board is based on the following factors:

- size of company;
- nature and extent of head office operations;
- tenure of directors; and
- limited trading in the company's securities.

Notwithstanding the nature of the board composition, the board maintains protocols to ensure that any potential or actual conflicts of interest and duty are properly identified and managed, and to ensure directors act in accordance with their fiduciary responsibilities.

The criteria for board membership and the selection of appropriate members of the board are determined by the board itself. Election and rotation of directors is governed by the Company's constitution. Shareholder approval is sought where appropriate. In determining the appointment and retirement of non-executive directors, a cross section of skills and experience is sought.

The Company's constitution specifies that:

- one third of the directors (with the exception of new appointees who must retire under a different rule); and
- any director, who would have held office for more than 3 years at the time of the annual general meeting,

must retire from office at that general meeting but may stand for re-election.

Details of the directors who are considered independent appears under Recommendation 2.6. The Company has not adopted the recommendation for a majority of the board to be independent directors given the nature and extent of the company's operations and the fact that interests associated with directors hold a significant portion of the Company's issued securities. This recommendation is considered inappropriate to the Company's particular circumstances.

Recommendation 2.2:
The chairman should be an independent director.

AXG has adopted this recommendation although interests associated with the chairman hold a percentage of the company's issued securities..

Recommendation 2.3:
The roles of chairman and chief executive officer should not be exercised by the same individual.

AXG has adopted this recommendation although interests associated with the chairman hold a percentage of the Company's issued securities.

Recommendation 2.4:
The board should establish a nomination committee.

AXG has not adopted this recommendation as the practices relating to the selection and appointment of directors, detailed within this statement, are an efficient means of meeting the needs of the Company, having regard to the relative size of the Company which is reflected in the board structure and composition.

The board consists of three directors and it is considered that AXG has the capacity to consider director nomination practices within the duly constituted meetings of the board, and that the establishment of a formal committee structure would not add greater value to this process.

The Company has not adopted this recommendation as it is inappropriate to its particular circumstances.

Recommendation 2.5:
Disclose the process for evaluating the performance of the board, its committees and individual directors.

The performance of the board, its committees and individual directors is considered on an informal, as needs basis, given that interests of directors have a beneficial or non-beneficial interest in a significant portion of the Company's issued securities.

All directors have direct access to the entire senior management team, including the company secretary, and are provided with information on a timely basis.

Recommendation 2.6:
Provide the information indicated in the Guide to reporting on Principle 2, i.e. Skills, experience and expertise of directors

Information relevant to the position of each director in office at the date of this report is set out in the Directors' Report.

Independent directors
Some directors are considered "independent" in terms of the ASX recommendations, with each holding nominal numbers of shares as set out in the Directors' Report. The board has not set a materiality threshold for determining "independence".

Independent director may undertake employment with a group entity and act as a principal of a material professional adviser or material consultant of a group entity, be a material supplier or customer of a group entity, or have a material contractual relationship with a group entity other than as a director. All such actions are clearly announced before the board by the individual director / chairman and at all time fully disclosure and abstinence from voting on their individual circumstances is made.

Independent professional advice
Directors are able to seek reasonable independent professional advice, as appropriate, in the furtherance of their duties. Any such advice may be at the Company's expense, subject to prior approval of the board.

Period of office held by each director
Information in relation to the period of office held by each director can be found in the Directors' Report.

Process for selection and appointment of directors

Given the length of service of directors, the board does not consider it necessary to develop succession plans or procedures for the appointment and re-election of directors.

Performance evaluation
A performance evaluation of the board, its committees and directors did not formally take place in the reporting period for the reasons given under Recommendation 2.5, although he board members participation was reviewed

Departures from recommendations
Any departure from Recommendations 2.1 to 2.6 is explained under the relevant Recommendation.

ASX PRINCIPLE 3:
Promote ethical and responsible decision-making

Recommendation 3.1:
Establish a code of conduct and disclose the code or a summary of the code as to:

- *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 shareholders; and*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

As part of the board's commitment to the high standards of conduct, the Company has established operating protocols to deal with various issues including:

- conflicts of interest;
- employment practices;
- fair trading;
- health and safety; and
- relations with customers and suppliers.

These are designed to:

- clarify the standards of ethical behaviour required of the board, senior managers and employees and encourage compliance with those standards; and
- assist the company to comply with its legal obligations and have regard to the reasonable expectations of shareholders.

The recommendation to establish and publish a formal code has not been adopted in view of the nature and extent of company operations, the long-standing tenure of directors and the close relationship with the senior management team.

Recommendation 3.2:
Establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The board has an informal policy to restrict directors and senior managers from acting on material information to trade in the company's securities until such information has been released to the market and adequate time has passed for it to be reflected in the price of those securities.

Material information means information concerning the company's financial position, strategy or operations and any other information which a reasonable person might consider, if it were made public, would be likely to have a material impact on a decision to buy or sell the Company's securities.

The recommendation to publish details of the trading policy has not been adopted in view of the limited dealings undertaken by directors and senior managers in the Company's securities and the fact that interests associated with the directors and senior managers hold a significant portion of the Company's issued securities.

Recommendation 3.3:
Provide the information indicated in the Guide to reporting on Principle 3.

Any departure from Recommendations 3.1 to 3.2 is explained under the relevant recommendation.

ASX PRINCIPLE 4:
Safeguard integrity in financial reporting

Recommendation 4.1:
Establish an audit committee.

The board has not established an audit committee to assist it to ensure the truthful and factual presentation of the Company's financial position. Notwithstanding the non existence of the audit committee, ultimate responsibility for the integrity of the company's financial reporting rests with the full board.

Recommendation 4.2:
The audit committee should be structured so that it:

- *consists only of non-executive directors;*
- *consists of a majority of independent directors;*
- *is chaired by an independent chair, who is not chair of the board; and*
- *has at least three members.*

The audit committee comprises the entire board and as such all directors are responsible.
The board considers that the skills, experience and expertise of the entire board suited to the effective discharge of the responsibilities of the committee.

The board has adopted the recommendation for the committee to maintain at least three directors, given the nature and extent of Company's activities and the relative size of the board.

Recommendation 4.3:
The audit committee should have a formal charter.

Although there is no formal audit committee, the entire board believes that the role and responsibilities of the AXG audit process is to:

- oversee the existence and maintenance of internal controls and accounting systems;
- ensure the integrity of the financial reporting process;
- review the annual and half-yearly financial statements;
- oversee the independence of the external auditor; and
- ensure the existence of a process for identification and management of key business risks.

The board has rights of access to management, rights to seek explanations and additional information, and access to external auditors without management being present.

The board meets at least twice each year and records all matters relevant to its role and responsibilities regarding audit and audit procedure. Minutes of its findings and conclusions are retained by the full board.

The board has not adopted the recommendation to establish a committee charter in view of the nature and extent of Company operations, the experience of each committee / board member, and close access to the executive team.

Recommendation 4.4:
Provide the information indicated in the Guide to reporting on Principle 4.

No defined committees are set up within the Company and all matters which should be referred to a committee are referred to the entire board.

The qualifications of committee members / board members are listed in the Directors' Report.
The number of committee meetings / board meetings held during the reporting period and the attendance of each member at those meetings is set out in the Directors' Report.

The board has not published a committee charter, or information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners as these matters are dealt with informally.

Any departure from Recommendations 4.1 to 4.4 is explained under the relevant Recommendation.

ASX PRINCIPLE 5:
Make timely and balanced disclosure

Recommendation 5.1:
Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.

The company secretary has been nominated as the person responsible for communication with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX and the public.

The company secretary and/or the executive chairman jointly ensure that any proposed announcement is drafted in a timely manner, is factual, expressed in a clear and consistent manner and does not omit material information.

Except for standard secretarial and procedural matters, all material announcements to the ASX are authorised by the board.

The recommendation to establish and publish written policies regarding compliance with ASX Listing Rule disclosure requirements has not been adopted in view of the nature and extent of company operations.

Recommendation 5.2:
Provide the information indicated in the Guide to reporting on Principle 5.

Any departure from Recommendations 5.1 and 5.2 is explained under Recommendation 5.1 above.

ASX PRINCIPLE 6:
Respect the rights of shareholders

Recommendation 6.1:
Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.

The recommendation to publish a communications policy has not been adopted in view of the nature and extent of company operations.

Recommendation 6.2:
Provide the information indicated in the Guide to reporting on Principle 6.

The Company aims to keep shareholders informed of its performance and all major developments in an ongoing manner. Information disclosed to the ASX is available by a link on the Company's website.

Additionally, information is communicated to shareholders through:

- the annual report which is distributed to all shareholders;
- the half annual report which is distributed to all shareholders in an abbreviated form; and
- other correspondence regarding matters impacting on shareholders as required.

Any departure from Recommendations 6.1 and 6.2 is explained under Recommendation 6.1 above.

ASX PRINCIPLE 7:
Recognise and manage risk

Recommendation 7.1:
Establish policies for the oversight and management of material business risks and disclose a summary of those policies.

In view of the nature and extent of Company operations, the tenure, experience and understanding of directors, the Company has established informal policies for the oversight and management of material business risks.

Formal policies would be inappropriate to the Company's particular circumstances.

Recommendation 7.2
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. Disclose that management has reported to the board as to the effectiveness of the company's management of its material business risks.

In view of the nature of the Company's investment activities, formal and informal policies for the oversight and management of the various business risks associated with the Company's specific investments are conducted at the relevant subsidiary board level.

A formal and documented risk management and internal control system has not been adopted as it is inappropriate to the company's particular circumstances.

Recommendation 7.3:
Disclose whether the board has received assurance from the chief executive (or equivalent) and the chief financial officer (or equivalent) 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 effectively in all material respects in relation to financial reporting risks.

The board has received the declaration in accordance with section 295A of the Corporations Act and has had an opportunity to question whether the declaration is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4:
Provide the information included in the Guide to reporting on Principle 7.

Any departure from Recommendations 7.1 to 7.4 is explained under the relevant Recommendation.

ASX PRINCIPLE 8:
Remunerate fairly and responsibly

Recommendation 8.1:
Establish a remuneration committee.

The remuneration committee comprises the entire board.

The role and responsibilities of the AXG remuneration members are to:

- make recommendations to the board on an appropriate remuneration policy for directors and senior managers;
- undertake the performance reviews of senior managers; and
- determine the remuneration and employment terms of senior managers in accordance with the adopted remuneration policy.

Remuneration for non-executive directors is determined by the full board and the total director fee scale is subject to shareholder approval.

The board considers that the skills, experience and expertise of the entire board are entirely suited to the effective discharge of the responsibilities of the committee.

The board has not established a committee charter in view of the nature and extent of Company operations and the relative size of the board.

The committee / board meets at least once per annum to discuss this matter.

A report to the board on all matters relevant to its role and responsibilities is made available to the full board.

Recommendation 8.2:
Clearly distinguish the structure of non-executive directors' remuneration from that of directors and senior managers.

The Company's remuneration policy for senior managers and non-executive directors is set out in the Remuneration Report.

Recommendation 8.3:
Provide the information indicated in the Guide to reporting on Principle 8.

The number of committee / board meetings held during the reporting period and the attendance of each member at those meetings is set out in the Directors' Report.

There are no schemes for retirement benefits for non-executive directors.

The recommendation to publish information in relation to the role, rights, responsibilities and membership requirements for the remuneration committee has not been adopted in view of the nature and extent of company operations and the relative size of the board.

The Company has not published a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme as the directors consider that such a policy is inappropriate to the company's particular circumstances.

Any departure from Recommendations 8.1 to 8.3 is explained under the relevant Recommendation.

Fully paid ordinary shares issued by AXG Mining Limited are quoted on the Australian Securities Exchange (under the code AXC).

Further information about the corporate governance and principles of the Australian Securities Exchange may be found on the Australian Securities Exchange website (www.asx.com.au).

DIRECTORS' REPORT

Your Directors present their report together with the financial report of AXG Mining Limited's consolidated group ("AXG" or "The Company") *for the financial year ended* 30 June 2009.

Directors

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

Alex Bajada – Non Executive Director and Chairman.
Gordon Alfred Sklenka – Non Executive Director
Roland H Berzins – Executive Director and Company Secretary

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

Principal Activities

The Company's principal activity is mining exploration.

Results of Operations

The net loss of the Company after income tax for the financial year amounted to $1,419,998 (2008: loss of $481,682).

Dividends

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

Review of Operations

1. Turkmenistan (AXG earning 100%) - Uranium/Gold/Base metals/Industrial minerals

Following a lengthy period of due diligence and site inspection, AXG entered into a staged agreement to acquire Mineral and Petroleum Products Ltd (MAPP), a British Virgin Islands-registered company which has secured exclusive mineral rights to two tracts of land in Turkmenistan covering 22,000km^2. Whilst Turkmenistan has recently become a major producer of fossil fuels with enormous untapped potential, very little systematic modern mineral exploration has been carried out on the parts of the country not covered by sedimentary basins.

The two minerals exclusion areas, Tuwergyr in the northwest and Koytendag in the east, have hosted one large uranium deposit and numerous uranium, gold and basemetal prospects and contain large resources of potash, bentonite and celestite.

An investment contract with the Turkmenistan Government, which lays the foundation for the operation of a foreign company in Turkmenistan, is close to finalization. Pending the execution of this contract, AXG has prepared for a major airborne magnetics/radiometrics programme and carried out detailed geochemical sampling and radiometrics in the vicinity of the abandoned Sernoe Uranium Mine near Gyzylgaya, in central Tuwergyr area.

The Stage 1 acquisition of 20% of MAPP is complete. Following execution of the investment contract, expenditure of a further US$1M on exploration can commence to reach the Stage 2, 51% ownership.

MAPP has a well-equipped office in the capital, Ashgabat, staffed by soviet-trained Turkmen nationals, including geologists that have been involved in uranium exploration throughout the former USSR.

2. Mt Ida/Gum Well (AXG 100%) – Uranium – Western Australia

The Gum Well exploration licences 29/601 and 29/602 lie approximately 50km northeast of Perrinvale Station, via Menzies. They cover the upper reaches of Lake Barlee which hosts several advanced calcrete uranium prospects.

In the previous year, interpretation of airphotography and satellite imagery, followed by ground radiometrics, outlined a number of areas prospective for calcrete hosted uranium on the licences. Two of these were tested with aircore drilling but despite good accumulations of both friable and porcelaneous calcrete, radiometric logging and assaying failed to indicate significant mineralisation below the surface enrichment.

The licences have been retained as several anomalies remain to be tested.

3. Merredin and Wongan Hills (AXG 100%) – Uranium – Western Australia

Exploration Licence 70/2927 centres on Kalguddering Spring, just south of Wongan Hills and 150kms northeast of Perth. Following the discovery of anomalous uranium in water bores, airborne radiometrics and follow up drilling gave a best intersection of 20ppm uranium. AXG acquired the licence from local prospectors with the intention of examining the Mortlock River paleodrainage sediments for buried accumulations of uranium associated with carbon-rich deposits.

AXG also acquired Exploration Licence 70/2947 near Nokaning Rock, 26kms northwest of Merredin and 250kms east of Perth. Here, uranium minerals had been discovered associated with pegmatite on the margin of a large granitic batholiths. Again, the potential for economic mineralisation lay in the accumulation of recent sediments below salt lakes in the west of the tenement.

Both licences are completely covered by cultivated, private land holdings. Before any access agreements could be finalized however, the uranium exploration industry slumped badly and AXG shifted its priority to more advanced prospects with easier access and better potential.

AXG expects to relinquish its interest in the tenements.

4. Western Queen (AXG 100%) - Gold/Base metals – Western Australia

At the beginning of the year, AXG held 3 exploration licences and 3 mining leases over a large part of the Warda Warra Greenstone Belt, 90km northwest of Mt Magnet. Buxton Resources Ltd were earning an interest in the tenements by expenditure on exploration for basemetals.

An airborne EM programme failed to outline targets worthy of drill testing so Buxton shifted focus to the nickel laterite potential. Aircore drilling of geochemistry/aeromagnetic targets encountered nickel laterite mineralisation, but the potential for significant tonnages seemed low, and in October, 2009 Buxton withdrew from the farm-in.

After review of all past gold and basemetal exploration, AXG decided to surrender all interest in the tenements.

5. Dalgaranga (Gold – AXG 49.9%) – Western Australia

AXG retains 49.9% interest in four mining leases centred on the abandoned Dalgaranga group of mines, 50kms northwest of Mt Magnet. Equigold NL, now a subsidiary of Lihir Gold Australia Ltd, holds the remaining interest and is the operator of the joint venture with AXG.

Mining from the main Gilbeys Pit (production 215,000 oz Au) and several small satellite resources ceased in April 2000, the plant was moved to Kirkalocka, and the area was completely rehabilitated. The Dalgaranga JV has carried out limited gold exploration since closure and apart from small lateritic deposits in the area, there remains a measured and indicated resource of some 7million tonnes @ 1.5g/t gold in the Gilbeys Deposit.

Until recently, the remaining Dalgaranga resource was considered subeconomic and the joint venture agreed to divest the property. However with the higher gold prices since the world credit crisis, a number of parties have examined the data and visited the site with a view to acquiring the property

Future Developments

The company's business strategies and prospects for growth in future financial years have not been included in this report, as the inclusion of this information is likely to result in an unreasonable prejudice to the company.

Significant Changes in State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial period under review not otherwise disclosed in this report or the financial statements.

Subsequent Events

No matters or circumstances have arisen since the end of the financial year, 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 subsequent financial years.

Likely Developments

There are no likely developments of which the Directors are aware, which could be expected to effect the result of the Company's operations in subsequent years.

Environmental Issues

The Company's operations are subject to significant environmental regulation under the law of the Commonwealth, State and Local Authorities. Details of the Company's exposure in relation to environmental regulation is as follows:

Exploration activities are subject to significant environmental regulation under the Western Australia Mining Act 1978 and Environmental Protection Act 1986. These regulations effect amongst other issues, waste disposal, water and air pollution.

There have been no instances of material non-compliance with the regulation governing the exploration activities during the financial year.

REMUNERATION REPORT AUDITED

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

This report outlines the remuneration arrangements in place for Directors and other Key Management Personnel of the Company in accordance with the *Corporations Act 2001* and its regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures,* which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. These remuneration disclosures have been audited.

For the purposes of this report, Key Management Personnel ("KMP") of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly. The Company did not have any other key management personnel other than its directors.

For the purposes of this remuneration report, the term 'executive' encompasses the Non Executive Directors of the Company.

Remuneration Philosophy

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

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

- Provide competitive rewards to attract high calibre executives; and
- Link executive rewards to shareholder value.

The Board as a whole is responsible for considering remuneration policies and packages applicable both to board members and senior executives of the Company. The board remuneration policy is to ensure the remuneration package, which is not linked to the performance of the Company, 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 Company 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 considers 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 Company.

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 period ending 30 June 2009 is detailed below.

Director and Executive Remuneration Structure

Based on the current stage in the Company's development, its size, structure and strategies, the Board considers that the key performance indicator in assessing the performance of Executives and their contribution towards increasing shareholder value is share price performance over the review period.

Individual and Company 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 Company 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 Company and individual performance, relevant comparable remuneration in the mining exploration industry and 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 Company 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 Chief Executive Officer 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 Executives across the Company 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 Company's performance.

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

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 Company'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.

B. DETAILS OF REMUNERATION

Names and positions held of Directors and Specified Executives in office at any time during the financial year are:

Mr. A Bajada	Non-Executive Chairman
Mr. G. A. Sklenka	Non-Executive Director
Mr. R. H. Berzins	Executive Director

Directors' Remuneration

2009	Short-term employee benefits			Post-employment benefits	Long-Term benefits		Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave[#] $	Termination benefits $	Options $	Total $
Non-executive directors								
Alex Bajada	80,000	-	-	2,700	-	-	-	82,700
Gordon Sklenka	110,000	-	-	2,700	-	-	-	112,700
Sub-total non-executive directors	**190,000**	-	-	**5,400**	-	-	-	**195,400**
Executive directors								
Roland Berzins	118,000	-	-	8,820	-	-	-	126,820
Total key management personnel compensation	**118,000**	-	-	**8,820**	-	-	-	**126,820**

2008	Short-term employee benefits			Post-employment benefits	Long-Term benefits		Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave[#] $	Termination benefits $	Options $	Total $
Non-executive directors								
Alex Bajada	84,166	-	-	2,700	-	-	-	86,866
Gordon Sklenka	116,667	-	-	2,700	-	-	-	119,367
Sub-total non-executive directors	**200,833**	-	-	**5,400**	-	-	-	**206,233**
Executive directors								
Roland Berzins	125,334	-	-	9,330	-	-	-	134,664
Total key management personnel compensation	**125,334**	-	-	**9,330**	-	-	-	**134,664**

C EQUITY HOLDINGS AUDITED

Shareholdings
Number of Shares held by Directors and Specified Executives

Directors	Balance 01.07.08	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.09
Mr. A. Bajada	250,000	-	-	-	250,000
Mr. G. A. Sklenka	1,000,000	-	-	-	1,000,000
Mr. R. H. Berzins	310,000	-	-	-	310,000
Total	1,560,000	-	-	-	1,560,000

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

Option holdings
Number of Options held by Directors and Specified Executives

Directors	Balance 01.07.08	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.09	Vested	Unvested
Mr. A. Bajada	125,000	-	-	-	125,000	125,000	-
Mr. G. A. Sklenka	1,500,000	-	-	-	1,500,000	1,500,000	-
Mr. R. H. Berzins	340,000	-	-	-	340,000	340,000	-
	1,965,000	-	-	-	1,965,000	1,965,000	-

* Net Change Other refers to options purchased or sold during the financial year.

Currently 102,250,000 options are on issue (2008: 99,750,000)

D. SERVICE AGREEMENTS

There are no specific key management personnel contract with the individual directors and director fees and consulting fees are based on shareholder approved directors fee structure and corporate governance procedure.

Directors' Particulars

Mr. A Bajada — **Non-Executive Chairman, appointed 13th February 2007.**

Qualifications — **B.Econ (UWA)**

Experience — Mr. Bajada is Executive Director of Spartan Nominees Pty Ltd, corporate consultants. He is a former stockbroker with many years experience in the corporate sector and has been involved in the management of public companies for many years fulfilling the roles of chairman and director.

Other directorships — Mr. Bajada is currently Director of Advance Energy Ltd (since 24/11/2004), Excalibur Mining Corporation Limited (since 30/11/2004), Chairman of Odin Energy Limited (since 20/3/2007) and an independent Director of the WA Local Government Superannuation Plan.

Other directorships within the last three years
None

Remuneration — Mr. Bajada received director's fees of \$50,000 (2008: \$54,166) plus consulting fees of \$30,000. (2008: \$30,000)

Interest in shares — Mr. Bajada has an interest in 250,000 fully paid ordinary shares.

Interest in options — Mr. Bajada has an interest in 125,000 options on ordinary shares.

Related transactions	Mr. Bajada has had no related party transactions with the Company.
Mr. G A Sklenka	**Non-Executive Director – appointed 16th February 2005**
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 17 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 company formation, capital raising and project acquisition.
Other directorships	Mr. Sklenka is currently a director of Tribune Resources NL (since 16/8/2004), Rand Mining NL (since 16/8/2004), Advanced Energy Limited (since 10/11/2004) Vector Resources Ltd (since 6/1/2004) and Odin Energy Ltd (since 29/9/2007). Other directorships in the last three years. Regal Resources Limited (appointed 11/9/2003 – resigned 16/6/2009)
Remuneration	Mr. Sklenka received director's fees of $20,000 (2008: $21,667) and consulting fees of $90,000 (2008: $95,000.)
Interest in shares	Mr. Sklenka has a direct and indirect interest in 1,000,000 fully paid ordinary shares.
Interest in options	Mr. Sklenka has a direct and indirect interest in 1,500,000 options on ordinary shares.
Related transactions	Mr. Sklenka has had no related party transactions with the company.
Mr. Roland H Berzins	**Company Secretary and Public Officer, appointed a director on 15 December 2005.**
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 22 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 company 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 Palace Resources Ltd (since 20/5/2005), Odin Energy Ltd (since 18/2/2009) and Red Sky Energy Ltd (since 24/5/2009). Other directorships in the last three years. Vector Resources Ltd (4/10/2005 to 23/02/2009)
Remuneration	Mr. Berzins received $20,000 (2008: $21,667) in director's fees and $98,000. (2008: $103,667) in consulting fees.
Interest in shares	Mr. Berzins has a direct and indirect interest in 310,000 fully paid ordinary shares.
Interest in options	Mr. Berzins has a direct and indirect interest in 340,000 options on ordinary shares.

Meetings of Directors

During the financial year six meetings of directors were held. Attendances were:

Directors	Number eligible to attend	Number attended
A Bajada	6	6
G A Sklenka	6	6
R H Berzins	6	6

Options

As at 30 June 2009 there were 102,250,000 options outstanding exercisable at $0.20 with expiry on 31 August 2010. (2008: 99,750,000).

Indemnifying Officers

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company 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 company, other than conduct involving a willful breach of duty in relation to the company.

Proceedings on Behalf of the Company

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

No proceedings have been brought or intervened in on behalf of the company 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 58.

Non-audit Services

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

Corporate Governance

The directors of the Company 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

WHK Horwath 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. SKLENKA
DIRECTOR
Dated this 30th day of September 2009
Perth, Western Australia

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
	Note	2009 $	2008 $	2009 $	2008 $
Other revenues	5	246,693	1,282,687	124,161	1,215,187
Employee benefit expenses	6	(76,348)	(97,394)	(76,348)	(97,394)
Capitalised exploration expenditure written-off	6	(250,402)	(211,799)	(250,402)	(211,799)
Exploration expenditure expensed as incurred	6	(17,796)	(77,102)	(17,796)	(77,102)
Consulting fees	6	(236,363)	(245,262)	(236,363)	(245,262)
Director fees	6	(90,000)	(97,500)	(90,000)	(97,500)
Depreciation	6	(28,645)	(10,981)	(28,645)	(10,981)
Project evaluation costs	6	(192,658)	(100,000)	(192,658)	(100,000)
Cost of tenement sales	6	-	(281,411)	-	(281,411)
Share of associate loss	6	(97,661)	-	-	-
Impairment of investment in associate		-	-	(97,661)	-
Impairment of shares held for resale	6	(186,702)	-	-	-
Provision for diminution	6	-	-	(58,816)	(109,190)
Administration expenses	6	(490,116)	(484,8524)	(469,991)	(484,639)
(Loss) before income tax expense		(1,419,998)	(323,614)	(1,394,519)	(500,092)
Income tax expense	7	-	(158,068)	-	(137,882)
Net (loss)		(1,419,998)	(481,682)	(1,394,519)	(637,974)
Net (loss) attributable to outside equity interests		-	-	-	-
Net (loss) attributable to members of the company		(1,419,998)	(481,682)	(1,394,519)	(637,974)
Basic and diluted loss per share (cents per share)	29(b)	(0.014)	(0.55)	(0.013)	(0.73)

The accompanying notes form part of these financial statements

BALANCE SHEET

AS AT 30 JUNE 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$	$	$	$
CURRENT ASSETS					
Cash and cash Equivalents	9	118,793	3,091,376	118,793	3,091,376
Trade and other receivables	10	258,053	180,849	61,271	106,598
Other financial assets	11(a)	2,482,422	1,232,092	2,835,066	1,643,553
TOTAL CURRENT ASSETS		2,859,268	4,504,317	3,015,130	4,841,527
NON CURRENT ASSETS					
Property, plant and equipment	14	61,707	17,004	61,707	17,004
Other financial assets	11(b)	328,475	343,890	187,790	21,187
Investment accounted for using the equity method	12	1,101,881	-	1,101,881	-
Formation expenses		1,740	1,740	-	-
Exploration and evaluation expenditure	15	893,259	1,065,332	893,259	1,065,332
TOTAL NON CURRENT ASSETS		2,387,062	1,427,966	2,244,637	1,103,523
TOTAL ASSETS		5,246,330	5,932,283	5,259,767	5,945,050
CURRENT LIABILITIES					
Trade and other payables	16	162,167	138,182	155,417	131,432
Short - term provisions	17	32,764	31,212	32,764	31,212
TOTAL CURRENT LIABILITIES		194,931	169,394	188,181	162,644
TOTAL LIABILITIES		194,931	169,394	188,181	162,644
NET ASSETS		5,051,399	5,762,889	5,071,586	5,782,406
EQUITY					
Issued capital	18	9,455,670	8,955,670	9,455,670	8,955,670
Reserves	19	790,809	582,301	941,809	758,110
Accumulated losses	20	(5,195,080)	(3,775,082)	(5,325,893)	(3,931,374)
TOTAL EQUITY		5,051,399	5,762,889	5,071,586	5,782,406

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	**Ordinary shares**	**Options**	**Accumulated Losses**	**Financial Assets Reserve**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 30 June 2008	8,955,670	759,110	(3,775,082)	(176,809)	5,762,889
Profit / (loss) financial year 2009	-	-	(1,419,998)	-	(1,419,998)
Shares issued during the year	500,000	-	-	-	500,000
Options issued during the year	-	26,800	-	-	26,800
Fair value transfer to financial assets reserve	-	-	-	181,708	181,708
Balance at 30 June 2009	9,455,670	785,910	(5,195,080)	4,899	5,051,399

Consolidated	**Ordinary shares**	**Options**	**Accumulated Losses**	**Financial Assets Reserve**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 30 June 2007	6,073,370	477,500	(3,293,400)	-	3,257,470
Profit / (loss) financial year 2008	-	-	(481,682)	-	(481,682)
Shares issued during the year	3,200,000	-	-	-	3,200,000
Options issued during the year	-	281,610	-	-	281,610
Fair value transfer to financial assets reserve	-	-	-	(176,809)	(176,809)
Balance at 30 June 2008	8,955,670	759,110	(3,775,082)	(176,809)	5,762,889

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

Company	**Ordinary Shares**	**Options**	**Accumulated Losses**	**Financial Assets Reserve**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 30 June 2008	8,955,670	759,110	(3,931,374)	(1,000)	5,782,406
Profit / (loss) financial year 2009	-	-	(1,394,519)	-	(1,394,519)
Shares issued during the year	500,000	-	-	-	500,000
Options issued during the year	-	26,800	-	-	26,800
Fair value transfer to financial asset reserve	-	-	-	156,899	156,899
Balance at 30 June 2009	9,455,670	785,910	(5,325,893)	155,899	5,071,586

Company	**Ordinary Shares**	**Options**	**Accumulated Losses**	**Financial Assets Reserve**	**Total**
	$	**$**	**$**	**$**	**$**
Balance at 30 June 2007	6,073,370	477,500	(3,293,400)	-	3,257,470
Profit / (loss) financial year 2008	-	-	(637,974)	-	(637,974)
Shares issued during the year	3,200,000	-	-	-	3,200,000
Options issued during the year	-	281,610	-	-	281,610
Fair value transfer to financial asset reserve	-	-	-	(1,000)	(1,000)
Transaction costs	(317,700)	-	-	-	(317,700)
Balance at 30 June 2008	8,955,670	759,110	(3,931,374)	(1,000)	5,782,406

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
	Note	**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(1,043,248)	(966,373)	(1,043,248)	(949,041)
Payment for / reduction in – security deposit		-	111,981	-	111,981
Interest received		114,318	215,224	114,318	215,224
Net cash used in operating activities	22(b)	(928,930)	(639,168)	(928,930)	(621,836)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of tenements		-	999,272	-	999,272
Exploration expenditure incurred		(78,331)	(278,199)	(78,331)	(278,199)
Payment for investments		(672,743)	(346,700)	(672,743)	(17,186)
Loans to associate		(508,452)	-	(508,452)	-
Repayment of loans from related parties		15,000	-	15,000	-
Payment for property, plant and equipment		(74,128)	(10,951)	(74,128)	(10,951)
Net cash used in investing activities		(1,318,654)	363,422	(1,318,654)	692,936
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares and options		-	3,162,910	-	3,162,910
Loan to subsidiary		-	-	-	(1,246,846)
Loans to related parties		(725,000)	(900,000)	(725,000)	-
Net cash provided by / (used in) financing activities		(725,000)	2,262,910	(725,000)	1,916,064
Net (decrease) / increase in cash held		(2,972,584)	1,987,164	(2,972,584)	1,987,164
Cash at the beginning of the financial year		3,091,377	1,104,213	3,091,377	1,104,213
Cash at the end of the financial year	9,22(a)	118,793	3,091,377	118,793	3,091,377

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of AXG Mining Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 30th September 2009.

AXG Mining Limited is a Company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The principal activity of the Company is exploration for minerals.

The address of the registered office is Suite 4 16 Ord Street West Perth Western Australia 6005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial 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 financial report are presented below and have been consistently applied unless otherwise stated.

The financial 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.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 January 2009. It is likely to result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segment may also require a reallocation of goodwill. However, this is not expected to result in any additional impairment of goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Revised AASB 101 *Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 January 2009.

(iii) AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 January 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(iv) Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(i) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(b)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 January 2009.

(v) AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009)

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AABS 127 *Consolidated and Separate Financial Statements.* The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vii) AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008)

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

(d) 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.

(e) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(f) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the Company is Australian dollars (A$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the profit and loss statement.

(g) 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 property, 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Derecognition

An item of property, 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.

(h) Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is either written off as incurred or is carried forward at cost where rights to tenure of the area of interest are current and;

i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;

ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the income statement or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the area of interest level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or area of interest exceeds its estimated recoverable amount. The asset or area of interest is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

(i) Recoverable amount and impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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 Cash Flow Statement, 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.

(k) 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.

Collectibility 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 Company will not be able to collect the debts.

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company 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.

(m) Provisions

Provisions are recognised when the Company 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.

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.

(n) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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.

(p) Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company 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.

(q) 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 Company 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.

(r) Employee benefits

(a) Share-based payment transactions

The Company 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 Company 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.

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 meet; and (iii) the expired portion of the vesting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The charge to the income statement for the period 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 earnings per share.

During the financial years 2008 and 2009, no share based payment transaction to the benefit of employees (including directors) was enacted or carried out.

(b) Employee

The Employee Option Plan ("EOP") was approved by the Annual General meeting and established in November 2004.

Each option issued under the plan will be issued free of charge. The exercise price of the options granted under the EOP will be the price fixed by the board prior to the granting of the options. The options granted under the EOP may be subject to such other restrictions on exercise as may be fixed by the directors prior to the grant of the options including, without limitations, length of service by the employee and threshold prices at which shares are traded on the Australian Securities Exchange (ASX). Any restrictions so imposed by the directors must be set out on the option certificate.

The options granted under the EOP do not give right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant options. The number of shares issued on exercise of the options will be adjusted for bonus issues made prior to the exercise of the options.

Under the EOP, the directors may invite employees to participate in the EOP and receive options. The plan is open to employees of the Company or its subsidiaries who the board determine are entitled to participate in the EOP. the number of shares underlying options granted under the EOP are aggregated with:

a) the maximum number of shares that could be issued on exercise of unexercised EOP options and any other employee incentive share and option plan, and

b) the number of shares issued on exercise of options under the EOP and any other employee incentive share or option plan in the past 5 years, must not exceed 5% of the issued shares at the time of the granting of the options. This restriction will not prevent the Company from granting options under the EOP where a prospectus has been lodged with the Australian Investments and Securities Commission in respect of the granting of these options.

If the Company, after having granted any options under the EOP, reduces its issued share capital or subdivides or consolidates its shares, the number of shares issued to the option holder on exercise of an option will be reduced, subdivided or consolidated, as the case may be in accordance with the ASX Listing Rules.

Options granted under the EOP are not transferable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value of the options granted under the EOP is estimated at the date of the grant using the Black – Scholes option Pricing Model, applying inputs relevant to the following parameters:

Grant Date
Exercise Date
Expiry Date
Number of Options on Issue
Exercise Price
Time to Maturity
Underlying Share Price
Expected Share Volatility
Risk – Free Interest Rate
Dividend Yield

The expected life of the options is based on historical data, which may not eventuate in the future. The expected share price volatility reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No EOP options have been issued by the Company in the financial years 2008 or 2009.

(c) Superannuation plan

The Company contributes to superannuation plans in accordance with contractual and statutory requirements.

(s) Issued capital

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

(t) Earnings per share

Basic earnings per share is calculated as net profit / (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 earnings per share is calculated as net profit / (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
- other non-discriminatory changes in revenues or expenses during the period 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.

(u) 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.
- **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

(v) Other taxes

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.

Cash flows are included in the Cash Flow Statement 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.

(w) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 2008 and 2009, no long service leave entitlement provision was made, based on the limited length of service of the Company's employees.

(iii) Superannuation

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

(x) Joint ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the company's income statement and balance sheet. Details of the company's interests are shown at note 13.

The company interests in joint venture entities are brought to account using the equity method of accounting in the financial statements.

(y) Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the economic entity's share of the post – acquisition reserves of its associates.

(z) Principles of consolidation

A controlled entity is any entity AXG Mining Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. Details of controlled entities are at Note 33 to the financial statements. The controlled entities have a June 30 financial year end.

All inter-company 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.

(aa) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

(bb)Foreign currency transactions and balances

Functional and presentational Currency

The functional currency of each group entity is measured using currency of the primary consolidated environment in which the entity operates. The consolidated financial statement are presented in Australian dollars which is the parent entity's functional and presentational currency.

Group Currencies

The financial results and position of foreign operations whose foreign 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 the reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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 2008 and 2009 financial years, the group had no exposure to foreign currency transactions and balances.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Company'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 Company. 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 Company 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.

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.

ii) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black & Scholes model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities in the next annual reporting period but may impact expenses and equity.

During the financial years 2009 and 2008, no share based payment transaction to the benefit of employees (including directors) was enacted or carried out.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Company 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.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group and the parent entity hold the following financial instruments:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Financial assets				
Cash and cash equivalents	118,793	3,091,376	118,793	3,091,376
Trade and other receivables	258,053	180,849	61,271	106,598
Financial assets at fair value through profit or loss	-	-	-	-
Derivative financial instruments	-	-	-	-
Available – for - sale financial assets	-	-	-	-
Investments in associate company	1,101,881	-	1,101,881	-
Other financial assets	1,380,541	1,232,092	1,733,185	1,643,553
	2,409,268	4,504,317	3,015,130	4,841,527
Financial liabilities				
Trade and other payables	162,167	138,182	155,417	131,432
Derivative financial instruments	-	-	-	-
Other financial liabilities	32,764	31,212	32,764	31,212
	194,931	169,394	188,181	162,644

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 Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company 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.

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, before tax losses and equity would have been affected as follows:

Financial year ended 30 June 2009	Loss after tax allowing for changes (if applicable)	Interest Income	Average interest rate - overall
Original data	1,419,998	236,850	7.46%
Interest Income positive 100 basis points	1,388,654	268,193	8.45%
Interest Income positive 50 basis points	1,404,491	252,356	7.95%
Interest Income negative 100 basis points	1,449,587	207,260	6.53%
Interest Income negative 50 basis points	1,435,752	221,094	6.97%

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial year ended 30 June 2008	Loss after tax allowing for changes (if applicable)	Interest Income	Average interest rate – overall
Original data	\$481,682	\$215,224	5.43%
Interest Income positive 100 basis points	\$442,237	\$254,669	6.43%
Interest Income positive 50 basis points	\$461,959	\$234,947	5.93%
Interest Income negative 100 basis points	\$511,784	\$185,122	4.67%
Interest Income negative 50 basis points	\$497,779	\$199,127	5.02%

(b) Credit risk exposure

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company'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 Company's maximum exposure to credit risk in relation to those assets.

The Company 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 Company does not have a significant exposure to bad debts.

There are no significant concentrations of credit risk within the Company.

(c) Liquidity risk

The Company 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;
- only investing surplus cash with major financial institutions;

Trade payables mainly originate from the purchase of assets used in our ongoing operations such as property, plant, equipment and investments of working capital e.g. inventories and trade receivables. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Company monitors its expected settlement of financial assets and liabilities on an ongoing basis.

The Company monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Capital Management

The Company'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) Fair values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

4. 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	
		2009	2008	2009	2008	2009	2008	2009	2008
Financial liabilities due for payment									
Trade and other payables	-	162,167	138,182	-	-	-	-	162,167	138,182
Total expected outflows		162,167	138,182	-	-	-	-	162,167	138,182
Financial assets - cash flows realisable									
Cash and cash equivalents	2.92%	118,793	3,091,376	-	-	-	-	118,793	3,091,376
Trade, term and loans receivable	-	1,956,505	1,080,848	-	-	-	-	1,956,505	1,080,848
Security Deposit	-	333,970	332,093	-	-	-	-	333,970	332,093
Investments accounted for using the equity method	-	-	-	1,101,881	-	-	-	1,101,881	-
Available-for-sale financial assets	-	450,000	-	328,475	343,890	-	-	778,475	343,890
Total anticipated inflows		2,859,268	4,504,317	1,430,356	343,890	-	-	4,289,624	4,848,207
Net (outflow)/inflow on financial instruments		2,697,101	4,366,135	1,430,356	343,890			4,127,457	4,710,025

Company		Within 1 Year		1 to 5 Years		Over 5 Years		Total	
Financial liabilities due for payment		2009	2008	2009	2008	2009	2008	2009	2008
Trade and other payables	-	155,417	131,432	-	-	-	-	155,417	131,432
Total expected outflows		155,417	131,432	-	-	-	-	155,417	131,432
Financial assets - cash flows realisable									
Cash and cash equivalents	2.92%	118,793	3,091,376	-	-	-	-	118,793	3,091,376
Trade, term and loans receivable	-	829,723	106,598	1,282,644	1,311,460	-	-	2,112,367	1,418,058
Security Deposit	-	333,970	332,093	-	-	-	-	333,970	332,093
Investments accounted for using the equity method	-	-	-	1,101,881	-	-	-	1,101,881	-
Available-for-sale financial assets	-	450,000	-	187,790	-	-	-	637,790	-
Total anticipated inflows		1,172,486	3,530,067	2,572,315	1,311,460	-	-	2,565,130	4,841,527
Net (outflow)/inflow on financial instruments		1,577,069	3,398,635	3,572,315	1,311,460	-	-	2,409,713	4,710,095

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
5. REVENUE				
Receipt from sale of tenements	-	999,272	-	999,272
Interest received	236,850	215,225	114,318	215,225
Dividend income	140	140	140	140
Miscellaneous income	9,703	68,050	9,703	550
	246,693	1,282,687	124,161	1,215,187

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
6. PROFIT / (LOSS) BEFORE INCOME TAX				
Profit / (loss) before income tax has been determined after:				
Exploration and evaluation expenditure expensed	17,796	77,102	17,796	77,102
Directors fees				
Write off of capitalised exploration expenditure	250,402	416,107	250,402	416,107
Project evaluation costs	192,658	100,000	192,658	100,000
Cost of sale of tenements	-	281,411	-	281,411
Administration expenses	490,116	280,544	469,991	280,331
Consultants	236,363	245,262	236,363	245,262
Director fees	90,000	97,500	90,000	97,500
Depreciation of plant and equipment	28,645	10,981	28,645	10,981
Staff costs	76,348	97,394	76,348	97,394
Provision for diminution	-	-	58,816	109,190
Share of associated company loss	97,661	-	-	-
Impairment of investment in associates	-	-	97,661	-
Impairment – shares held for resale	186,702	-	-	-
	1,666,691	1,606,301	1,518,680	1,715,278

7. INCOME TAX EXPENSE

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
(a)	The components of income tax expense comprise:				
	Current tax	-	8,221	-	8,221
	Deferred tax	-	(166,289)	-	(146,103)
		-	(158,068)	-	(137,882)
(b)	Prima facie income tax expense (benefit) calculated at 30% of profit / (loss) (2008: 30%)	(426,000)	(97,084)	(418,356)	(150,027)
	<u>Decrease in income tax benefit due to:</u>				
	Entertainment expenses	4,586	2,916	4,586	2,916
	Value of tenements forfeited	-	-		-
	Depreciation per accounts	8,593	3,294	8,593	3,294
	Taxable capital gain on tenement disposal		-		-
	Capital Expenditure	57,798	30,000	57,798	30,000
	Provision for diminution	-	-	17,644	32,757
	Timing difference	-	13,813	-	13,813
	Others – impairment charges	56,010	147,963	-	147,963
	<u>Increase in income tax benefit due to :</u>				
	Capital raising costs deducted	-	(38,690)	-	(38,690)
	Timing differences deducted	-	-	-	-
	Accounting gain on tenement disposal	-	(215,358)	-	(215,358)
	Capitalised exploration expenses	23,498	(77,099)	23,498	(77,099)
	Tax deductible depreciation	8,593	(3,294)	8,593	(3,294)
	Income tax expense / (benefit) on profit / (loss)	(383,104)	(233,539)	(361,826)	(253,725)
	Losses not brought to account	-	-	-	-
	Losses recognized for the first time	-	-	-	-
	Movement in deferred tax liability	-	8,221	-	8,221
	Tax losses not recognised as utilisation not probable	383,104	549,675	361,826	529,490
	Movement in deferred tax	-	(166,289)	-	(146,103)
	Income tax expense / (benefit) on profit / (loss)	-	158,068	-	137,882
	Tax losses not recognised	932,779	549,675	891,396	529,490

8. DIVIDENDS

No dividends have been paid or declared in respect of the financial years 30 June 2009 (30 June 2008: $nil)

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
9.	**CASH AND CASH EQUIVALENTS**				
	Cash at bank	118,793	3,091,376	118,793	3,091,376
10.	**TRADE AND OTHER RECEIVABLES**				
	Other debtors	258,053	180,849	61,271	106,598

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
11. OTHER FINANCIAL ASSETS				
a) CURRENT				
Security Deposit	333,970	332,093	333,970	332,093
Loan to associated company	508,452	-	508,452	-
Related party loans	1,190,000	900,000	710,000	-
Available-for-sale financial assets	450,000		450,000	
Loans to subsidiaries (net of impairments)	-	-	1,282,644	1,311,460
	2,482,422	1,232,093	2,835,066	1,643,553

11. OTHER FINANCIAL ASSETS

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
b) NON-CURRENT				
Available-for-sale financial assets	328,475	343,890	187,790	21,187
	328,475	343,890	187,790	21,187

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required. No intention to dispose of any unlisted available-for-sale financial assets existed at 30 June 2009.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Associated company	1,101,881	-	1,101,881	-
	1,101,881	-	1,101,881	-

The investment is held in the following associated company

Name	Principal Activity	Country of incorporation	Shares	Ownership interest		Carrying value of investment	
				2009	2008	2009	2008
				%	%	$	$
MAPP Limited	Exploration	British Virgin Islands	Ordinary	20	-	1,101,881	-

Movements During the Year in Equity Accounted Investment in Associated Companies

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Balance at beginning of the financial year	-	-	-	-
New investments during the year	1,199,542	-	1,199,542	-
Impairment of investment in associate	-	-	(97,661)	-
Share of associated company's profit after tax	(97,661)	-	-	-
Balance at the end of the financial year	1,101,881	-	1,101,881	-

In the financial year ended 30 June 2009 AXG entered into a staged agreement to acquire Mineral and Petroleum Products Ltd (MAPP), a British Virgin Islands-registered company which has secured exclusive mineral rights to two tracts of land in Turkmenistan. Stage 1 acquisition of 20% of MAPP was completed during the financial year ended 30 June 2009. Following execution of the investment contract, expenditure of a further US$1M on exploration can commence to reach the Stage 2, 51% ownership.

13. INTEREST IN JOINT VENTURES

The company has a 49.9% interest in the Dalgaranga Gold Mines joint venture, the principal activity is exploration. The company's share of assets employed is as follows:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current Assets				
Cash	10,015	10,039	10,015	10,039
Receivables	-	689	-	689
Total Current Assets	10,015	10,728	10,015	10,728
Non-Current Assets				
Exploration and evaluation expenditure	529,247	468,947	529,247	468,947
Total Non-Current Assets	529,247	468,947	529,247	468,947
Share of Total Assets of Joint Venture	539,262	479,675	539,262	479,675
Current Liabilities				
Trade creditors	72,925	3,495	72,925	3,495
Total Current Liabilities	72,925	3,495	72,925	3,495
Share of Total Liabilities of Joint Venture	72,925	3,495	72,925	3,495
Net Interest in Joint Venture	466,337	476,180	466,337	476,180

14. PROPERTY, PLANT & EQUIPMENT

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Office equipment at cost	104,851	33,518	104,851	33,518
Less accumulated depreciation	(43,144)	(16,514)	(43,144)	(16,514)
	61,707	17,004	61,707	17,004

Movements in carrying amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and end of the current financial year:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Balance at the beginning of the financial year	17,004	17,033	17,004	17,033
Additions	74,127	10,951	74,127	10,951
Depreciation expense	(28,645)	(10,980)	(28,645)	(10,980)
Disposals	-	-	-	-
Write-offs	(779)	-	(779)	-
Carrying amount at the end of the financial year	61,707	17,004	61,707	17,004

		Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
15.	**EXPLORATION AND EVALUATION EXPENDITURE**				
	Exploration and evaluation expenditure	893,259	1,065,332	893,259	1,065,332
	Movement in carrying amounts				
	Balance at the beginning of the period	1,065,332	1,280,344	1,065,332	1,280,344
	Capitalised expenditure this period	78,329	278,198	78,329	278,198
	Exploration expenditure - sold	-	(281,411)	-	(281,411)
	Exploration expenditure written off	(250,402)	(211,799)	(250,402)	(211,799)
	Balance at the end of the period	893,259	1,065,332	893,259	1,065,332
16.	**TRADE AND OTHER PAYABLES**				
	Trade creditors	141,667	54,154	134,917	47,404
	Other creditors and accruals	20,500	84,028	20,500	84,028
		162,167	138,182	155,417	131,432
17.	**SHORT-TERM PROVISIONS**				
	Annual leave	12,577	11,025	12,577	11,025
	Provision for income tax	20,186	20,186	20,186	20,186
	Mining restoration	1	1	1	1
		32,764	31,212	32,764	31,212

The mining restoration provision is based on estimated future costs, current legal requirements and current technology. Costs have been determined on an undiscounted basis. There are no prospective or retrospective changes in estimates known at this stage, nor are there significant uncertainties, assumptions or judgements in the determination of these obligations.

		Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
18.	**ISSUED CAPITAL**				
	109, 750,000. fully paid ordinary shares (2008: 99,750,000)	9,455,670	8,955,670	9,455,670	8,955,670
	At beginning of reporting period	8,955,670	6,073,370	8,955,670	6,073,370
	Share issue	500,000	3,200,000	500,000	3,200,000
	Capital raising costs on issue of shares	-	(317,700)	-	(317,700)
	At reporting date	9,455,670	8,955,670	9,455,670	8,955,670

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

19. RESERVES

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Total reserve	604,107	582,301	941,809	758,110
(a) Option reserve	785,910	759,110	785,910	759,110
(b) Fair value adjustments for sale financial assets reserve	4,899	(176,809)	155,899	(1,000)
At reporting date	790,809	582,301	941,809	758,110

(a) Options Reserve

At beginning of reporting period	759,110	477,500	759,110	477,500
Options issued	26,800	281,610	26,800	281,610
At reporting date	785,910	759,110	785,910	759,110

Nature and purpose of reserve:
The options reserve is used to recognise the fair value of options granted but not exercised.

Listed options	No.	No.	No.	No.
At the beginning of the reporting period	99,750,000	51,250,000	99,750,000	51,250,000
Issued with share issue	2,500,000	48,500,000	2,500,000	48,500,000
At reporting date	102,250,000	99,750,000	102,250,000	99,750,000

Each option if exercised entitles the option holder to one fully paid share.

Employee options	No.	No.	No.	No.
At the beginning of the reporting period	-	-	-	-
Issued	-	-	-	-
Surrendered	-	-	-	-
At reporting date	-	-	-	-

(b) Financial Assets Reserve

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
At the beginning of the reporting period	(176,809)	-	(1,000)	-
Fair value adjustment on available for sale financial assets	181,803	(176,809)	156,899	(1,000)
At reporting date	4,994	(176,809)	155,899	(1,000)

Financial Assets 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 period.

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
20. ACCUMULATED LOSSES				
Accumulated losses at beginning of the period	(3,775,082)	(3,293,400)	(3,931,374)	(3,293,400)
Net profit / (loss) attributable to members	(1,419,998)	(481,682)	(1,394,519)	(637,974)
Accumulated losses at reporting date	(5,195,080)	(3,775,082)	(5,325,893)	(3,931,374)

21. COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding commitments, which are not disclosed in the financial statements of the company as at 30 June 2009 other than:

	2009	2008
	$	$
No later than one year	228,666	413,709
Longer than one year, but not longer than five years	1,037,312	1,866,831
Longer than 5 years	-	-
Total	1,265,978	2,280,540

Tenement commitments

The Company intends to carry out expenditure on each project to meet Department of Industry and Resources and joint venture commitments. Future funding and / or farm –out options will be considered on an ongoing basis to ensure the Company has sufficient funds to comply with its commitments.

Subject to results obtained from such exploration as carried out and ongoing assessment of each of the Company's projects, the Company may farm – out, or relinquish its rights to earn on any or all of its projects, thereby reducing the level of commitments disclosed above.

If the Company decides to relinquish certain leases and / or does not meet its obligations, assets recognised in the balance sheet may require review to determine the appropriateness of the carrying values. The sale, transfer or farm – out of explorations rights to third parties will reduce or extinguish these obligations.

Royalty

Pursuant to an agreement dated 1 November 2002 and assigned to the company on 8 March 2004, Geoinformatics Exploration Australia Pty Ltd ("GEA") is entitled to a net smelter royalty in relation to the Western Queen area. The royalty is by way of a success fee on resources identified by GEA and is payable at the rate of 2% of net smelter returns for precious metals.

Performance Guarantees

Performance guarantees are held with the West Australian Department of Industry and Resources in respect to the Dalgaranga Gold Mine tenements to the value of $199,051 (2008: $332,092).

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 company'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 company's operations.

The Company is aware of Native Title claims in respect of ground in which the Company has an interest. 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.

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
22. NOTES TO THE STATEMENT OF CASH FLOWS				
a) Cash	118,793	3,091,377	118,793	3,091,377
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				
Profit/(Loss) after income tax	(1,419,998)	(481,682)	(1,394,519)	(637,974)
Non-cash flows in profit from ordinary activities				
Depreciation	28,645	10,981	28,645	10,981
Write-down of exploration expenditure	250,402	211,799	250,402	211,798
Written-down value of assets disposed	781	-	781	-
Gain on options	10,422	-	(9,703)	-
Provision for diminution	-	-	-	109,190
Share of associated entity loss	97,661		97,661	-
Impairment on shares held for resale	186,702	-	-	-
Impairment – subsidiary loan	-		58,816	-
Changes in Assets and Liabilities				
(Increase)/decrease in receivables	(443,665)	125,931	(321,133)	197,120
(Increase)/decrease in other assets	334,583	108,171	334,583	108,171
Increase/(decrease) in payables	87,513	(42,503)	87,513	(100,163)
Increase/(decrease) in provisions	(61,976)	8,111	(61,976)	59,020
(Increase / decrease in deferred exploration and evaluation costs	-	(717,858)	-	(717,861)
Deferred tax movement	-	137,882	-	137,882
Cash flows from/(used) in operations	(928,930)	(639,168)	(928,930)	(621,836)

23. SHARE BASED PAYMENTS

During the year, AXG Mining Ltd made share based payments to the vendors of MAPP Ltd with regard to the completion of the acquisition of an initial 20% interest in MAPP Ltd ("MAPP") which holds the exclusive rights to undertake mineral exploration in specified areas of Turkmenistan.

The acquisition of MAPP will be on a staged program, with the consideration and acquisition, via 3 tranches, dependent upon the achievement of successive milestones, plus allowance made for the payments to the vendors of MAPP in relation to Performance and Hydrocarbon bonus based on other distinct criteria.

The initial 20% shareholding in MAPP, on 17 April 2009, was acquired on the terms below:

a) Cash payment of A$500,000
b) Issue of 10,000,000 fully paid ordinary shares in the capital of AXG
c) Issue of 2,500,000 options in the capital of AXG .

Each share in AXG issued as part of the Consideration, Performance Bonus, Hydrocarbon Bonus and Facilitator Fee will be issued at a deemed price of $0.05 cents per share.

Each AXG Option issued entitles the holder to subscribe for one AXG Share. The AXG Options are exercisable at any time on or prior to 31 August 2010 (the "Expiry Date"). The amount payable on exercise of each AXG Option is A$0.20.

Each option in AXG issued as part of the Consideration, Performance Bonus, Hydrocarbon Bonus and Facilitator Fee will be issued at a deemed price of $0.0107 cents per share, utilising the Binomial method of valuing Options.

In accordance with AASB2 the option pricing model took into account the following specific variables:

- The option exercise price
- The underlying share price
- The risk free interest rate
- The expected volatility of the underlying share price
- The expected dividends
- The estimated life of the options

Below is a table highlighting the movement of the Company's equity position, due to the share based payments:

	Consolidated		Company	
Listed fully paid shares	2009 No.	2008 No.	2009 No.	2008 No.
At the beginning of the reporting period	99,750,000	51,250,000	99,750,000	59,750,000
Placement	-	40,000,000	-	40,000,000
Issued via share based payment	10,000,000	-	10,000,000	-
At reporting date	109,750,000	99,750,000	109,750,000	99,750,000

Listed options	No.	No.	No.	No.
At the beginning of the reporting period	99,750,000	51,250,000	99,750,000	51,250,000
Placement	-	48,500,000	-	48,500,000
Issued via share based payment	2,500,000	-	2,500,000	-
At reporting date	102,250,000	99,750,000	102,250,000	99,750,000

Each option if exercised entitles the option holder to one fully paid share.

24 RELATED PARTY TRANSACTIONS

Equity interests in related entities

a) Details of the percentage of ordinary shares held in subsidiaries and director related entities are disclosed in the Directors Report.

	Consolidated Year Ended 30 June 2009 $	Consolidated Year Ended 30 June 2008 $	Company Year Ended 30 June 2009 $	Company Year Ended 30 June 2008 $
Net loans made by / (to) Directors and Director related entities as at end of year				
AAG Management Pty Ltd	31,116	-	31,116	-
Advance Energy Limited	(122,532)	(62,218)	(122,532)	(62,218)
Excalibur Mining Corporation Limited	-	(4,978)	-	(4,978)
Greencode Pty Ltd	-	-	30,000	1,248,911
Kilgore Oil & Gas	(4,794)	18,997	(4,794)	18,997
Odin Energy Limited	-	507	-	507
Palace Resources Limited	1,760	945	1,760	945
Regal Resources Limited	-	158	-	158
Vector Resources Limited	-	563	-	563

All loans made by the directors to the Consolidated Entity and by the Consolidated Entity to a director related company were made as unsecured loan and are payable on demand. Parties are related because of common directors.

(ii) Services provided by director related entities.

AAG Management Pty Ltd	439,875	-	439,875	-
Advance Energy Limited	522	97,795	522	97,795
Excalibur Mining Corporation Limited	-	6,940	-	6,940
Louise Minerals Pty Ltd	-	13,750	-	13,750
Palace Resources Limited	26,881	-	26,881	-
Regal Resources Limited	1,000	77,829	1,000	77,829
Vector Resources Limited	-	5,010	-	5,010

AAG Management Pty Ltd provided general administration services to the Consolidated Entity during the year.

24. RELATED PARTY TRANSACTIONS (Continued)

	Consolidated Year Ended 30 June 2009 $	Consolidated Year Ended 30 June 2008 $	Company Year Ended 30 June 2009 $	Company Year Ended 30 June 2008 $
(iii) Services provided to director related entities.				
Advanced Energy Limited	-	12,032	-	12,032
Excalibur Mining Corporation Limited	-	507	-	507
Kilgore Oil & Gas	4,794	18,997	4,794	18,997
Odin Energy Limited	-	507	-	507
Palace Resources Limited	-	2,847	-	2,847
Regal Resources Limited	7,058	2,847	7,058	2,847
Vector Resources Limited	-	1,486	-	1,486

During the year AXG Mining Limited made and (received) payment of the following unsecured loans to related parties

AAG Management Pty Ltd	30,000	-	30,000	-
Advanced Energy Limited	-	900,000	-	900,000
GBU Capital Pty Ltd	30,000	-	-	-
Kilgore Oil & Gas Limited	200,000	-	200,000	-
Regal Resources Limited	465,000	-	465,000	-
Regal Resources Limited	(465,000)	-	(465,000)	-
Greencode Pty Ltd	-	1,449,580	-	1,419,580

The Company has lent $1,449,580 to Greencode Pty Ltd and an accumulated impairment of $168,006 has been charged to Profit & Loss at the parent level.

Mr Sklenka is a director of AAG Management Pty Ltd, a company which manages the serviced office facilities that the registered office of AXG Mining Limited occupies and charges AXG Mining Limited for rental and ongoing services on commercial cost only recovery terms.

During the year, the Company lent Greencode Pty Ltd $30,000. Greencode Pty Ltd made the funds available to GBU Capital Pty Ltd a company of which Mr Sklenka is a director on an unsecured and interest free basis.

All loans made by the directors to the Consolidated Entity and by the Consolidated Entity to a director related company were made as unsecured loans and are payable on demand. Parties are related because of common directors.

(iv) Key Management Personnel

Disclosures relating to key management personnel are set out in the director's report.

25. SEGMENTAL INFORMATION

The Company operates solely within the mining and exploration industry in Western Australia.

26. AUDITORS REMUNERATION

	2009 $	2008 $
Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report	36,900	38,361
- other services	-	-
	36,900	38,361

27. 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	389,536	(389,536)	-
EQUITY			
Retained losses	(4,164,618)	389,536	(3,775,082)
TOTAL EQUITY	5,373,353	389,536	5,762,889

28. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year 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 subsequent financial years.

		2009	2008
29.	**EARNINGS PER SHARE**	**$**	**$**
(a.)	Reconciliation of earnings to net profit or loss Net Profit / (Loss)	(1,419,998)	(481,682)
(b.)	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	101,777,397	87,037,671
	Basic earnings per share (cents per share)	(0.014)	(0.55)

In addition to the above ordinary shares, the company has on issue 102,250,000 options that could potentially dilute basic earnings per share in the future. These options have not been included in the calculation of diluted earning per share due to being anti-dilutive for the period.

		No.	No.
30.	**NUMBER OF EMPLOYEES**		
	Number of employees at reporting date.	1	1

31. COMPANY DETAILS

The registered and principal office of the Company is:
16 Ord Street
West Perth WA 6005

32. CONTROLLED ENTITIES

AXG Mining Limited holds a 100% interest in both AXG Queensland Pty Ltd and Greencode Pty Ltd. Both companies are incorporated in Australia.

AXG Queensland Pty Ltd is not trading, holds no assets nor has incurred any liabilities.

Greencode Pty Ltd is an investment company.

DIRECTORS' DECLARATION

The directors of AXG Mining Limited declare that:

1. the financial statements and notes, as set out on pages 24 to 60 are in accordance with the Corporations Act 2001:
   a) comply with Accounting Standards and the Corporations Act 2001; and
   b) give a true and fair view of the financial position as at 30 June 2009 and performance for the year ended on that date of the Company and the economic entity;

2. the Chief Executive Officer and the Chief Finance Officer have each declared that:
   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and the notes for the financial year give a true and fair view.

3. 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. A. Sklenka
DIRECTOR

Dated this 3rd day of September 2009
Perth, Western Australia

WHK Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of AXG Mining Limited for the year ended 30 June 2009, 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

NICHOLAS HOLLENS
Principal

Perth, WA

Dated this 30th day of September 2009

Member Horwath International
WHK Horwath Perth Audit Partnership ABN 96 844 819 235
Level 6, 256 St Georges Terrace Perth WA 6000 Australia
GPO Box P1213 Perth WA 6844 Australia
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A WHK Group firm

WHK Horwath

INDEPENDENT AUDIT REPORT TO MEMBERS OF AXG MINING LIMITED AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of AXG Mining Limited (the company) and AXG Mining Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 and fair presentation of the financial report 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.

Auditor's Opinion
In our opinion, the financial report of AXG Mining Limited (the company) and AXG Mining Limited and its Controlled Entities (the consolidated entity) is in accordance with the Corporations Act 2001 including:

(a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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INDEPENDENT AUDIT REPORT TO MEMBERS OF AXG MINING LIMITED AND ITS CONTROLLED ENTITIES (CONT'D)

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 21 of the directors' report for the year ended 30 June 2009. 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 conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of AXG Mining Limited (the company) and AXG Mining Limited and its Controlled Entities (the consolidated entity) for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP

Nicholas Hollens

NICHOLAS HOLLENS
Principal

Dated this 30th day of September 2009

ADDITIONAL SHAREHOLDERS INFORMATION

Additional information required by the Australian Stock Exchange (ASX) listing rules as 21th September 2009

List of 20 largest shareholders

Ranking	Name	Shares Held	% of total shares
1	Merrill Lynch Aust. Nominees Pty Ltd	10,576,156	9.64
2	Tribune Resources NL	5,854,482	5.33
3	Exchange Minerals Ltd	5,000,000	4.56
4	Ribalta Holdings Inc.	5,000,000	4.56
5	Rand Mining NL	3,125,857	2.85
6	Fay Holdings Pty Ltd	3,076,667	2.80
7	King Town Holdings Pty Ltd	3,000,000	2.73
8	WRF Securities Ltd	2,875,000	2.62
9	Icerig Pty Ltd	2,700,000	2.46
10	UBS Wealth Management Australia Nominees	2,299,000	2.09
11	Corridor Nominees Pty Ltd	2,123,500	1.93
12	Clear range Pty Ltd	1,925,000	1.75
13	Arlco Australia Pty Ltd	1,850,000	1.69
14	Hoffman Brenton	1,755,000	1.60
15	RBC Dexia Investor Services A/C MLCI A/C	1,619,000	1.48
16	Mandevilla Pty Ltd	1,562,500	1.42
17	Bassett MIL and SE	1,400,000	1.28
18	Koy Pty Ltd	1,250,000	1.14
19	EPPAE Nominees Pty Ltd	1,200,000	1.09
20	E C Dawson Investments Pty Ltd	1,200,000	1.09
Total of top 20 Shareholders		**59,392,162**	**54.11**

Substantial Shareholders

Name	Shares held	% of total shares
Merrill Lynch Aust. Nominees Pty Ltd	10,576,156	9.64
Tribune Resources NL	5,854,482	5.32

Distribution of shareholder's holdings

Ordinary shares held	Number of shareholders	Number of shares
1 – 1,000	4	1,429
1,001 – 5,000	23	77,488
5,001 – 10,000	90	846,939
10,001 – 100,000	259	11,903,258
100,001 and over	129	96,920,886
Total	498	**109,750,000**

List of 20 largest optionholders

Ranking	Name	Options Held	% of total options
1	Corridor Nominees Pty Ltd	12,387,000	12.11
2	Sumpart Pty Ltd	6,808,001	6.66
3	Sabre Power Systems Pty Ltd	4,000,000	3.91
4	King Town Holdings Pty Ltd – Employee S/F A/C	3,200,000	3.13
5	Merryll Lynch Aust Nominees Pty Ltd – Berndale A/C	3,100,000	3.03
6	Rand Mining NL	2,977,428	2.91
7	Tribune Resources NL	2,502,428	2.45
8	Fay Holdings Pty Ltd	2,410,000	2.36
9	Walker Graham G and T J <Walker Super Fund>	2,300,000	2.25
10	Walker Graham G and T J	2,050,000	2.00
11	Arlco Australia Pty Ltd	2,000,000	1.96
12	Koy Pty Ltd	1,953,450	1.91
13	Cangu Pty Ltd	1,950,000	1.91
14	UBS Wealth Mgmt. Australia Nominees Pty Ltd	1,925,000	1.88
15	RBC Dexia Investor Services A/C MLCI A/C	1,850,000	1.81
16	Amarilo Investments Pty Ltd	1,750,000	1.71
17	Icerig Nominees Pty Ltd	1,700,000	1.66
18	Jem Nominees Pty Ltd	1,653,406	1.62
19	Mandevilla Pty Ltd	1,562,500	1.53
20	Terrabyte Computer Products	1,500,000	1.47
Total of top 20 option holders		**59,579,213**	**58.27**

Substantial option holders

Name	Option held	% of total option
Corridor Nominees Pty Ltd	12,387,000	12.11
Sumpart Pty Ltd	6,808,001	6.66

Distribution of optionholder's holdings

Ordinary options held	Number of option holders	Number of options
1 – 1,000	-	-
1,001 – 5,000	5	17,000
5,001 – 10,000	60	597,000
10,001 – 100,000	136	6,803,991
100,001 and over	113	94,830,900
Total	**314**	**102,250,000**

Enquiries

Shareholders with any enquiries about any aspect of their shareholding should contact the Company's share register as follows:

Security Transfer Registrars Pty Ltd

Tel: +61 8 9315 2333
Fax: +61 8 9315 2233
Web: www.securitytransfer.com.au

Electronic Announcements and Report;

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half yearly Report, are invited to provide their e mail address to the Company. This can be done in writing to the Company Secretary.

Removal from the Printed Annual Report mailing list

Shareholders who do not wish to receive the Annual report should advise the Share Registry in writing to remove their names from the mailing list. Those shareholders will continue to receive all shareholder information.

Change of name / address

Shareholders who are Issue Sponsored should advise the Share registry promptly of any changes of name and / or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted via telephone. Forms can be found on the share Registry website or obtained by contacting the Share registry.

Shareholders who are in CHESS and Brokered Sponsored should instruct their sponsoring brokers in writing to notify the Share Registry of any changes of name and / or address.

In the case of a name change, the written advice must be supported by documentary evidence.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

Stock Exchange Listing

The Company's shares are listed on the ASX. Details of share transactions and prices published in the financial papers of the daily capital city newspapers under the code AXC.

Registered Office

The registered office of the company is:	AXG Mining Limited Suite 4, 16 Ord Street West Perth WA 6005
Telephone	+61 8 9486 1122
Fax	+61 8 9486 1011
E mail	admin@axgmining.com.au
Website	www.axgmining.com.au
Company Secretary	Roland Berzins

Mining Tenement Schedule

Project	Tenement	Blocks	Ha	Grant Date	Expiry Date	Holder	Interest - AXG
Gum Well "Mt Ida"	E29/601	8		21/12/2006	20/12/2011	Foynes & Slater	100%
Lake Raeside-Lake Barlee "Mt Ida"	E29 / 602	29		21/12/2006	20/12/2011	Foynes & Slater	100%
Dalgaranga JV	M59 / 293		403.3	22/09/1993	21/09/2014	AXG 499 EQU 501	49.9%
Dalgaranga JV	M59 / 311		977.7	09/03/1994	08/03/2015	AXG 499 EQU 501	49.9%
Dalgaranga JV	M59 / 312		971	09/03/1994	08/03/2015	AXG 499 EQU 501	49.9%
Dalgaranga JV	M59 / 353		489.7	28/11/1995	27/11/2016	WRF 499 EQU 501	49.9%