AXG MINING LIMITED

(A.B.N. 93 092 304 964)

and Controlled Entities

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2011

Corporate Directory

Directors

Alex Bajada – Non Executive Director and Chairman
Gordon Sklenka– Non Executive Director
Roland Berzins – Executive Director

Group Secretary

Roland Berzins

Registered and Principle Office

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ACN 092 304 964

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West Perth WA 6872

Share Registry

Securities Transfer Registrars Pty Ltd
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770 Canning Highway
Applecross WA 6953

Telephone: (+61 8) 9315 2333
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Stock exchange listing:

AXG Mining Ltd is listed on the Australian Securities exchange.

ASX Code: AXC
ASX Code: AXCO

Auditors

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

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28 September 2011

Dear Shareholders,

Over the past year, the Company has been continually endeavouring to complete the investment contract that it initiated with the Turkmenistan Government.

After giving the Government notice that it would be forced to close its operations, should the contract not be signed and despite continual insistence by government officials to the Company that the contract would be signed within a short period, the board has decided to closed its Turkmenistan office and has unfortunately had to terminate the employment of its commercial and technical staff.

The closure of office follows nearly 18 months of frustration in trying to finalise an exploration agreement with the Turkmenistan Government. The Board expressed its disappointment that despite repeated assurances the Investment Contact would be issued, this did not eventuated.

The board realised that its resources were best deployed elsewhere. AXG Toronto based Board Director Gordon Sklenka has established a strong presence in the Canadian Markets and as a result the Company has announced to the market that it has signed binding Letters of Intent with Lara Exploration Ltd ("Lara", TSX Venture Symbol: LRA) to earn up to a 75% interest in two properties, *Condoroma* and *Coporaque*, located in southern Peru.

The properties consists of 24 mineral concessions covering 17,764 hectares and are located 75 kilometres from one another in the southern part of the Cusco Region. Substantial surface geochemical sampling and mapping of the property by Lara has identified several prospective targets.

AXG has also contracted Mr Jeremy Niemi to carry out geological evaluation of the above properties and has employed several technical personnel to carry out further geological surveys.

The acquisition, the subject of commercial due diligence and approval by the shareholders, would be followed by a process whereby the Company would initiate exploration and complete mapping and geochemical sampling. This process would also permit community engagement and environmental assessment studies.

The Board believes that these projects will give the Company a true identity and purpose again and I take this opportunity to thank my fellow directors and the Groups shareholders and investors in supporting us during this period, and wish us all good fortune in the future.

Yours faithfully

Alex Bajada

Chairman

Corporate Governance Statement

APPROACH TO CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of AXG Mining Ltd, support and adhere to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that AXG is in compliance with those guidelines, to the extent possible, which are of importance to the commercial operation of a junior resource company.

During the financial period ended, shareholders continued to receive the benefit of an efficient and cost – effective corporate governance policy for the Company.

The board of directors of AXG Mining Ltd is responsible for the Corporate Governance of the Company. The board guides and monitors the business and the affairs of the Company on behalf of the shareholders, by whom they were elected and to whom they are responsible.

Upon listing, the Company established a set of Corporate Governance policies and procedures. These were based on the Australia Securities Exchange Corporate Governance Council's ("Council") "Principles of Good Corporate Governance and Best Practice Recommendations".

In accordance with the Council's recommendations, the Company has followed the guidelines during this period. Where a recommendation is not followed, that fact must be disclosed, together with the reason for the departure.

For further information on Corporate Governance policies adopted by the Company, refer to our website:

www.axgmining.com.au

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions of the Board of directors ("Board") of AXG Mining Ltd ("the Group") and those delegated to manage and disclose those functions	The Board is responsible for the overall corporate governance of the Group. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. On appointment of a director, the Group issues a letter of appointment setting out the terms and conditions of the appointment to the Board.	Complies
1.2	Disclose the process for evaluating the performance of senior executives	The board only employ's 1 employee and does not formally review the performance of the senior executives / Board.	Does not comply. However the Board continually monitors the behaviour of its senior executives / directors and discusses with them all aspects of their activities with regard to the Group.
1.3	Provides the information indicated in *Guide to reporting on Principle 1.*	A summary of the Board's functions and responsibilities is summarised in this Corporate Governance Statement. The Boards charter is also available on request.	Complies
Principle 2 – Structure the board to add value			
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 Group 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	This recommendation is considered inappropriate to the Group's particular circumstances. The Group has not adopted the recommendation for a majority of the board to be independent directors given the nature and extent of the Group's operations and the fact that interests associated with directors hold a significant portion of the Group's issued securities.

		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.	
2.2	The chair should be an independent director.	AXG has adopted this recommendation although interests associated with the chairman hold a percentage of the Group's issued securities.	Complies
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual	The Group has not appointed a chief executive officer	The Group does not comply as the Group has not appointed a chief executive officer.
2.4	The Board should establish a nominations committee	Due to the size of the Board, it was determined that the board will execute the functions of the nominations committee and that a separate nominations committee was not necessary.	The Group does not comply with this principle. The whole board is / would be involved if the situation occurred.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Group did not conduct a formal performance evaluation of the board and has not adopted a performance evaluation policy.	The Group does not comply. Refer to 1.2 above.
2.6	Provide the information indicated in the *Guide to reporting Principle 2.*	This information has been disclosed (where applicable) in the Directors report attached to the Corporate Governance statement. The Board carries out the functions of the nominations committee. In accordance with the information suggested in the *Guide to reporting on Principle 2*, the Group has disclosed full details of its directors in the Directors report attached to the Corporate Governance Statement. Other disclosure material as suggested in the *Guide to reporting Principle 2* has been made available on the Group's website.	The Group does not comply. Due to the size of the board, the directors determine that it will execute the functions of a nominations committee and the separate nominations committee and evaluation committee are not necessary.
Principle 3 – Promote ethnical and responsible decision making.			
3.1	Establish a code of conduct and disclose the code or a summary of the code	As part of the board's commitment to the high standards of conduct, the Group 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	The recommendation to establish and publish a formal code has not been adopted in view of the nature and extent of Group operations, the long-standing tenure of directors and the close relationship with the senior management team.

		compliance with those standards; and • assist the Group to comply with its legal obligations and have regard to the reasonable expectations of shareholders.	
3.2	Establish a policy concerning the trading in Group securities by directors, senior executives and employees and disclose the policy or a summary of the policy	The board has an informal policy to restrict directors and senior managers from acting on material information to trade in the Group'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 Group'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 Group'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 Group's securities and the fact that interests associated with the directors and senior managers hold a significant portion of the Group's issued securities.
3.3	Provide the information indicated in *the Guide to reporting Principle 3.*	The Board Charter containing the Code of Conduct is available on request. The Securities trading policy is summarised in this Corporate Governance Statement and is available on request	Complies.
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee	An audit committee has not been established	The Group does not comply. Due to the size of the Board, the directors determine that it will execute the function of an audit committee and that a separate audit committee is not necessary.
4.2	The audit committee should be structured so that it consists of only non executive directors, a majority of independent directors, is chaired by an independent chair person who is not chair person of the board and the committee shall have at least 3 members.	An audit committee has not been established by the Board.	The Group does not comply. Refer to 4.1 above.
4.3	The audit committee should have a formal charter.	An audit committee has not been established. The functions of the audit committee are reserved for the Board and operate under the Board charter.	The Group does not comply. Refer to 4.1 above
4.4	Provide the information indicated in *the Guide to reporting*	The functions associated with the safeguarding the integrity in financial reporting are carried out by the Board; is encompassed within the Board's Charter which is summarised in this Corporate	The Group does not comply. Refer to 4.1 above

	Principle 4.	Governance Statement and is available on request.	
Principle 5 – Make timely and balanced disclosure			
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 Group 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 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 Group operations.
5.2	Provide the information indicated in *the Guide to reporting Principle 5.*	The Group's continuous disclosure policy is available on request.	Complies.
Principle 6 – Respect the rights if the Shareholders			
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 Group has an effective communication and promotion activity and welcomes discussion with its shareholders and encourages participation in general meeting.	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 Group operations.
6.2:	Provide the information indicated in the *Guide to reporting on Principle 6.*	The Group 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 Group'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.	Complies. Any departure from Recommendations 6.1 and 6.2 is explained under Recommendation 6.1

Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	In view of the nature and extent of Group operations, the tenure, experience and understanding of directors, the Group has established informal policies for the oversight and management of material business risks.	The Group does not comply. Formal policies would be inappropriate to the Group's particular circumstances.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Group'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 Group's management of its material business risks.	In view of the nature of the Group's investment activities, formal and informal policies for the oversight and management of the various business risks associated with the Group's specific investments are conducted at the full board level, by all of the directors.	The Group does not comply. A formal and documented risk management and internal control system has not been adopted as it is inappropriate to the Group's particular circumstances.
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.	Complies
7.4	Provide the information indicated in the *Guide to reporting on Principle 7.*	The Board has not established an audit and risk charter, however has identified key risks within the business.	Complies.

Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remunerations committee.	The board has not established a remunerations committee and has not adopted a remunerations charter.	The Group does not comply. Due to the size of the Board, the directors have determined that it will execute the functions of the remunerations committee and that a separate remunerations committee is not necessary.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of directors and senior managers.	The Group's remuneration policy for senior managers and non-executive directors is set out in the Remuneration Report.	Complies
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 Group operations and the relative size of the board and the fact that there is no remunerations board. The Group has not published a summary of the Group'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 Group's particular circumstances.	The Group does not comply. 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.

DIRECTORS' REPORT

Your Directors present their report together with the financial report of the Consolidated Group, being the Group and its controlled entities, for the financial year ended 30 June 2011.

Principal activities and significant changes in the nature of operations.

The Group's principal activity is mining exploration.

The Group has not significantly changed its operations during the year and has not acquired or disposed of any entities during the year.

Operating results and review of operations

Operating results
The net loss of the Group after income tax for the financial year amounted to $3,271,969 (2010: loss of $1,524,433).

Review of operations

Turkmenistan

After giving the Government notice that it would be forced to close its operations, should the contract not be signed and despite continual insistence by government officials to the Company that the contract would be signed within a short period, the board has decided to closed its Turkmenistan office and has unfortunately had to terminate the employment of its commercial and technical staff.

The closure of office follows nearly 18 months of frustration in trying to finalise an exploration agreement with the Turkmenistan Government. The Board expressed its disappointment that despite repeated assurances that the Investment Contact would be issued, this did not eventuated.

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.

Financial position

The net assets of the consolidated group total $1,187,970 (2010: $3,482,267). This decrease in net assets is largely due to the following factors:

- the documentation associated with the MAPP project has not been completed and whilst the Group is supporting MAPP in the intervening period, the lack of completion is not assisting the Group's performance nor its ability to positively generate market interest in the Group or in its projects. In accordance with applicable Australian Accounting Standards, the investments and loans were impaired to the value of $ 2,114,350 (2010: (87,417)).
- Exploration assets were reduced by $364,012 (2010: 529,247)

Dividends paid or recommended

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

After balance date events

On the 27th of July 2011, the board of AXG Mining Ltd announces that it has closed its Turkmenistan office and has had to terminate the employment of its commercial and technical staff. Although after receiving assurances from government officials that the contract would be signed within a short period and after giving the Government several opportunities to perform, the AXG Board have reluctantly withdrawn its support for any future activities in Turkmenistan.

The closure of office follows nearly 18 months of frustration in trying to finalise an exploration agreement with the Turkmenistan Government.

On 19 September 2011, the Company announced that AXG has executed an agreement to acquire 100 per cent of Halston Exploration Inc. (Halston), a company which has the right to earn up to 75% interest in two projects in the Cusco region of Peru from Lara Exploration Ltd, a corporation incorporated in Canada and listed on the TSX – V (Code LRA).

The Company, via its acquisition of Halston, has entered into a two staged options agreement, whereby it can earn up to a 75% interest in the two projects, based on the completion of a series of exploration expenditure milestones, following the initial costs.

The following table sets out the terms of the arrangement:

100% acquisition of Halston Exploration Inc. – a private corporation that holds the rights to earn up to a 75% interest in two Southern Peru properties – *Condoroma* and *Coporaque* . These properties interests will be acquired from Lara Exploration Ltd, a company incorporated in Canada and which is bound by the rule and regulations associated with the Canadian Securities Administrators.	• Issue of 126,000,000 AXG Mining fully paid ordinary shares to the existing shareholders of Halston Exploration Ltd, and • US$150,000 as reimbursement of previously expended business development expenditure associated with *Condoroma* and *Coporaque,* to the existing shareholders of Halston.

The combined properties consist of 24 mineral concessions covering 17,764 hectares and are located 75 kilometres from one another in the southern part of the Cusco region, Peru. The properties are located along a prominent and highly prospective copper – gold mineralization belt (the Andahuaylas – Yauri mineralisation).

Under the terms of the Letter of Intent, the Company, via the acquisition of Halston, has entered into a two –staged option agreement whereby it can initially earn a 55% interest in the individual property over a defined period, and then earn a further 20% of the rights and interests in that property by completing additional expenditure and tasks, within another time period

Condoroma

Date	Payment (US$'000's)	Exploration expenditures (US$'000's)	Explanatory Notes
Execution Date ("ED")	$100		Cash payment upon signing agreement.
ED + 12 months (Yr 1)	$200	$1,000	Minimum 1,500m diamond drilling, with such payments satisfied by a mutually agreed upon split of cash and/or an equivalent amount of fully paid ordinary shares of AXG
ED + 24 months (Yr 2)	$500	$1,000	Minimum 2,000m diamond drilling, with such payments satisfied by a mutually agreed upon split of cash and/or an equivalent amount of fully paid ordinary shares of AXG

ED + 36 months (Yr 3)		$1,500	
By end of yr 3, aggregate payments of $800k and exploration expenditures of $3,500k earns a 55% interest			
Notice Date ("ND")	$1,000		ND within 60 days of having earned 55% Cash payment on or before ND
ND + 36 months (Yr 6)		$7,000	Minimum of $1,500 exploration per year
ND + 48 months (Yr 7)			Delivery of NI 43-101 Pre-Feasibility Study
By end of yr 3 following ND, aggregate payments of $1,000k, exploration expenditures of $7,000k and by end of yr 4 following ND, the delivery of a NI 43-101* Pre-Feasibility Study earns an additional 20% interest			
Aggregate payments of $1,800k, exploration expenditures of $10,500k and delivery of a NI 43-101 Pre-Feasibility Study earns a 75% total interest in Condoroma			

Coporaqua

Date	**Payments (US$ 000s)**	**Exploration Expenditures (US$ 000s)**	**Explanatory Notes**
Execution Date ("ED")	$100		Cash payment upon signing agreement
ED + 12 months (Yr 1)	$200	$500	Payments satisfied by a mutually agreed upon split of cash and/or an equivalent amount of fully paid ordinary shares of AXG
ED + 24 months (Yr 2)	$350	$1,000	Minimum 1,000m diamond drilling, with such payments satisfied by a mutually agreed upon split of cash and/or an equivalent amount of fully paid ordinary shares of AXG
ED + 36 months (Yr 3)		$1,500	Minimum 1,500m diamond drilling
By end of yr 3, aggregate payments of $650k and exploration expenditures of $3,000k earns a 55% interest			
Notice Date ("ND")	$1,000		ND within 60 days of having earned 55% Cash payment on or before ND

ND + 36 months (Yr 6)		$7,000	Minimum of $1,500 exploration per year
ND + 48 months (Yr 7)			Delivery of NI 43-101 Pre-Feasibility Study
By end of yr 3 following ND, aggregate payments of $1,000k, exploration expenditures of $7,000k and by end of yr 4 following ND, the delivery of a NI 43-101 Pre-Feasibility Study earns an additional 20% interest			
Aggregate payments of $1,650k, exploration expenditures of $10,000k and delivery of a NI 43-101 Pre-Feasibility Study earns a 75% total interest in Coporaque			

[7]NI 43-101 (the **National Instrument 43-101** (the "**NI 43-101**" or the "**NI**")) - is a rule developed by the Canadian Securities Administrators (CSA) and administered by the provincial securities commissions that governs how issuers disclose scientific and technical information about their mineral projects to the public. The NI 43-101 is broadly comparable to the Joint Ore Reserves Committee Code (JORC Code) which regulates the publication of mineral exploration reports on the Australian Stock Exchange (ASX).

Binding agreements are subject to due diligence (including, but not limited to, confirmation of satisfactory claims registration) and regulatory and shareholder approval.

Future development, prospects and business strategies

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

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

Environmental issues

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

Greenhouse gas and energy data reporting requirements

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

The Energy Efficiency Opportunities Act 2006

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

Information on Directors

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

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

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

REMUNERATION REPORT (audited)

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

This report outlines the remuneration arrangements in place for Directors and other Key Management Personnel of the Group 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 Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly. The Group did not have any other key management personnel other than its directors.

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

Remuneration Philosophy

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

To this end, the Group 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 Group. The board remuneration policy is to ensure the remuneration package, which is not linked to the performance of the Group, properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

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

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board 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 Group.

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

The remuneration of non-executive Directors for the period ending 30 June 2011 is detailed below.

Director and Executive Remuneration Structure

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

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

Remuneration consists of the following key elements:

Fixed remuneration;

Variable remuneration;

Short term incentives (STI); and

Long term incentives (LTI).

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

Fixed Remuneration

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

There are no fringe benefits at the present time.

Variable Remuneration – Short Term Incentive (STI)

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

Annual STI payments granted to each executive depend on their performance over the preceding year and are based on recommendations from the 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 Group is subject to the approval of the Board. Payments are usually delivered as a cash bonus. There were no STI payments during the financial year.

Variable Remuneration – Long Term Incentive (LTI)

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

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

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

Typically, the grant of LTI's occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time. However, under certain circumstances, including breach of employment conditions, the Directors may cause the options to expire prior to their vesting date. In addition, individual performance is more commonly rewarded over time through STI's.

There were no LTI payments during the financial year.

2011	Short-term employee benefits			Post-employment benefits		Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Termination benefits $	Options $	Total $
Non-executive directors							
Alex Bajada	30,000	-	-	-	-	-	30,000
Gordon Sklenka	71,674	-	-	-	-	-	71,674
Sub-total non-executive directors	**101,674**	**-**	**-**	**-**	**-**	**-**	**101,674**
Executive directors							
Roland Berzins	30,177	-	1,906	2,340	-	-	34,423
Total key management personnel compensation	**131,851**	**-**	**1,906**	**2,340**	**-**	**-**	**136,097**

2010	Short-term employee benefits			Post-employment benefits		Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Termination benefits $	Options $	Total $
Non-executive directors							
Alex Bajada	80,000	-	-	2,700	-	-	82,700
Gordon Sklenka	90,000	-	-	2,475	-	-	92,475
Sub-total non-executive directors	**170,000**	**-**	**-**	**5,175**	**-**	**-**	**175,175**
Executive directors							
Roland Berzins	97,653	-	-	7,830	-	-	105,483
Total key management personnel compensation	**267,653**	**-**	**-**	**13,005**	**-**	**-**	**280,658**

C EQUITY HOLDINGS AUDITED

Shareholdings
Number of Shares held by Directors and Specified Executives

Directors	Balance 01.07.10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.11
Mr. A. Bajada	250,000	-	-	7,250,000	7,500,000
Mr. G. A. Sklenka	1,666,667	-	-	8,666,667	10,333,334
Mr. R. H. Berzins	310,000	-	-	2,110,000	2,420,000
Total	2,226,667	-	-	18,026,667	20,253,334

* Net Change other refers to shares purchased or sold during the financial year, as per rights issue and take up as approved by shareholders in general meeting.

Option holdings
Number of Options held by Directors and Specified Executives

Directors	Balance 01.07.10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.11	Vested	Unvested
Mr. A. Bajada	125,000	-	-	(125,000)	-	-	-
Mr. G. A. Sklenka	1,500,000	-	-	(1,500,000)	-	-	-
Mr. R. H. Berzins	340,000	-	-	(340,000)	-	-	-
	1,965,000	-	-	-	-	-	-

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

As at 30 June 2011, there were nil options on issue (2010: 102,250,000). 102,250,000 options expired on 31 August 2010. No replacement options were issued

Directors	Balance 01.07.09	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.10
Mr. A. Bajada	250,000	-	-	-	250,000
Mr. G. A. Sklenka	1,666,667	-	-	-	1,666,667
Mr. R. H. Berzins	310,000	-	-	-	310,000
Total	2,226,667	-	-	-	2,226,667

* 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 01.07.09	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.10	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.

As at 30 June 2011, there were nil options on issue (2010: 102,250,000)

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 Chairman of 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 Director of Advance Energy Ltd (24/11/2004 to 21/6/2010) Vector Resources Ltd (19/2/2009 to 24/2/2009)
Remuneration	Mr. Bajada received director's fees of $30,000 (2010: $50,000) plus consulting fees of nil. (2010: $30,000)
Interest in shares	Mr. Bajada has an interest in 7,500,000 fully paid ordinary shares.
Interest in options	Mr. Bajada has an interest in nil options on ordinary shares.
Related transactions	Mr. Bajada has had no related party transactions with the Group.
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 18 years experience in corporate finance in the areas of capital raisings, IPO's, acquisitions and project finance in the resource and technology sectors. Mr. Sklenka has worked with a number of listed public companies in both Australia and Canada and developed extensive experience in Group formation, capital raising and project acquisition.
Other directorships	Mr. Sklenka is currently a director of Tribune Resources NL (since 16/8/2004), Rand Mining NL (since 16/8/2004) and Advanced Energy Limited (since 10/11/2004). , Other directorships in the last three years. Regal Resources Limited (appointed 11/9/2003 – resigned 16/6/2009) Vector Resources Ltd (since 6/1/2004 – resigned 11/1/2011) Kilgore Oil and Energy Ltd (since 26/9/2007 – resigned 29 August 2011) .
Remuneration	Mr. Sklenka received director's fees of $24,000 (2010: $20,000) and consulting fees of $47,674 (2010: $70,000.)
Interest in shares	Mr. Sklenka has a direct and indirect interest in 10,333,334 fully paid ordinary shares.
Interest in options	Mr. Sklenka has a direct and indirect interest in nil options on ordinary shares.
Mr. Roland H Berzins	**Group 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 23 years experience in the mining industry and was previously Chief Accountant for 6 years for Kalgoorlie Consolidated Gold Mines Pty Ltd. Since 1996 Mr. Berzins has been Group secretary for a variety of ASX listed companies, and has also had experience in retail, merchant banking, venture capital and SME business advisory.
Other directorships	Mr. Berzins is currently a director of Odin Energy Ltd (since 18/2/2009) Other directorships in the last three years. Vector Resources Ltd (4/10/2005 to 23/02/2009), Palace Resources Ltd (20/5/2005 to 3/9/2011) and Red Sky Energy Ltd (24/5/2009 to 25/5/2010).
Remuneration	Mr. Berzins received \$26,000 (2010: \$23,667) in director's fees and \$4,177. (2010: \$73,986) in consulting fees.
Interest in shares	Mr. Berzins has a direct and indirect interest in 2,420,000 fully paid ordinary shares.
Interest in options	Mr. Berzins has a direct and indirect interest in nil 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 2011 there were nil options outstanding (2010:102,250,000). On 31 August 2010, 102,250,000 options , exercisable at $0.20 expired.

Indemnifying Officers

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

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

Proceedings on Behalf of the Group

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

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 58.

Non-audit Services

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

Rounding of amounts

Amounts in this report have been rounded off to the nearest dollar.

Officers of the Group who are former audit partners of Crowe Horwath – Perth

There are no officers of the Group who are former audit partners of Crowe Horwath - Perth.

Corporate Governance

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

Auditor

Crowe 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.

Roland Berzins
Director

Dated this 30th day of September 2011
Perth, Western Australia

Consolidated statement of comprehensive income

	Note	Consolidated Year Ended 30 June 2011 $	Consolidated Year Ended 30 June 2010 $
Other income	5	83,684	100,367
Employee benefit expenses		(225,415)	(84,830)
Consulting fees		(115,238)	(224,087)
Exploration expenditure written off		(381,786)	(529,247)
Exploration expenditure expensed as incurred		(18,929)	(73,608)
Compliance and regulatory expenses		(71,151)	(57,212)
Impairment of investment expenditure		(2,151,468)	-
Impairment of available – for-sale financial assets		4,600	480
Depreciation	14	(25,792)	(35,066)
Director fees		(80,000)	(73,667)
Project evaluation		9	(13,383)
Share of net loss in associated Group		(27,034)	(87,417)
Admin expenses		(263,449)	(446,763)
Loss from continuing operations before income tax expense		**(3,271,969)**	**(1,524,433)**
Income tax expense	7	-	-
Net loss for the period		**(3,271,969)**	**(1,524,433)**
Other comprehensive income			
Net changes in the fair value of available-for-sale financial assets		(84,720)	(44,699)
Other comprehensive income for the period		-	-
Other comprehensive income net of tax		**(84,720)**	**(44,699)**
Total comprehensive loss for the period		**(3,356,689)**	**(1,569,132)**
Basic and diluted loss per Share (cents per share)	**29**	(2.1)	(1.4)

The accompanying notes form part of these financial statements

Statement of financial position

	Note	Consolidated At 30 June 2011	At 30 June 2010
Current assets			
Cash and cash equivalents	9	483,504	214,140
Trade and other receivables	10	109,893	79,320
Other financial assets	11	775,051	1,301,517
Total current assets		1,368,448	1,594,977
Non-Current Assets			
Other financial assets	11	24,827	192,986
Investments accounted for using equity method	12	-	1,927,340
Plant and equipment	14	4,982	30,773
Formation expenses		1,740	1,740
Exploration and evaluation expenditure	15	-	364,012
Total Non-Current Assets		31,549	2,516,851
Total Assets		1,399,997	4,111,828
Current Liabilities			
Trade and other payables	16	188,560	608,000
Provisions	17	23,467	21,561
Total Current Liabilities		212,027	629,561
Total Liabilities		212,027	629,561
Net Assets		1,187,970	3,482,267
Equity			
Issued capital	18	10,518,062	9,455,670
Reserves	19	661,390	746,110
Accumulated losses	20	(9,991,482)	(6,719,513)
Total Equity		1,187,970	3,482,267

The accompanying notes form part of these financial statements

Statement of changes in equity

Consolidated	Ordinary shares	Options	Accumulated Losses	Financial Assets Reserve	Total
	$	$	$	$	$
Balance at 30 June 2010	9,455,670	785,910	(6,719,513)	(39,800)	3,482,267
Profit / (loss) and total other comprehensive attributable to members of the parent entity	-	-	(3,271,969)	(84,720)	(3,356,689)
Shares issued during the year	1,062,392	-	-	-	1,062,392
Options issued during the year	-	-	-	-	-
Balance at 30 June 2011	10,518,062	785,910	(9,991,482)	(124,520)	1,187,970

Consolidated	Ordinary shares	Options	Accumulated Losses	Financial Assets Reserve	Total
	$	$	$	$	$
Balance at 30 June 2009	9,455,670	785,910	(5,195,080)	4,899	5,051,399
Profit / (loss) and total other comprehensive attributable to members of the parent entity	-	-	(1,524,433)	(44,699)	(1,569,132)
Shares issued during the year	-	-	-	-	-
Options issued during the year	-	-	-	-	-
Balance at 30 June 2010	9,455,670	785,910	(6,719,513)	(39,800)	3,482,267

The accompanying notes form part of these financial statements

Statement of cash flows

	Note	Consolidated 2011 $	Consolidated 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,233,301)	(786,025)
Receipts from customers		-	114,953
Interest and other finance paid		(10,414)	-
Interest received		73,363	74,980
Net cash provided by / (used in) operating activities	22(b)	(1,170,352)	(596,092)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		92,760	657,761
Exploration expenditure incurred		17,774	-
Payment for investments		(224,128)	(403,104)
Loans to associate		-	-
Repayment of loans from related parties		-	-
Payment for property, plant and equipment		-	(4,132)
Net cash used in / (provided by) the investing activities		(149,142)	250,525
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans from related parties		526,466	190,914
Proceeds from capital raising		1,097,500	-
Payment for capital raising costs		(35,108)	-
Proceeds of loans from related parties		-	250,000
Loans to related parties		-	-
Net cash provided by / (used in) financing activities		1,588,858	440,914
Net increase / (decrease) in cash held		269,364	95,347
Cash at the beginning of the financial year		214,410	118,793
Cash at the end of the financial year	9,22(a)	483,504	214,140

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 2011 was authorised for issue in accordance with a resolution of the Directors on 30th September 2011.

The consolidated financial statements of AXG Mining Limited as at the year ended 30 June 2011 comprises the Group and its subsidiaries (together referred to as "the Group")

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

The separate financial statements of the parent entity, AXG Mining Limited, have not been presented within this financial report as permitted by amendments made to Corporations Act 2001, effective 30 June 2010.

The principal activity of the Group is exploration for minerals.

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

In accordance with the adoption of the new and revised accounting standards, the parent entity's summarised financial information is disclosed separately in Note 25.

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.

Historical cost convention

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.

Critical accounting estimates

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

Going concern

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

The Consolidated entity has incurred a net loss after tax for the year ended 30 June 2011 of $3,271,969 (2010: $1,524,433) and experienced net cash outflows from operations of $1,188,126 (2010: $569,092). As at 30 June 2011, the Consolidate entity had net assets of $1,187,970. (30 June 2010: $3,482,267).

The Directors believe that there are sufficient funds to meet the Group's working capital requirements.

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

Based on the above, the Group is confident that it will successfully raise additional funds, if required, to meet its financial obligations in future period.

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

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

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

Notwithstanding this, there is uncertainty whether the Group will be able to continue as a going concern.

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

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

(b) Compliance with IFRS

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

(c) Adoption of New and Revised Accounting Standards

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) New accounting standards and interpretations

The following applicable accounting standards and interpretation have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ending 30 June 2011, and no changes to the Group's accounting policy is required:

Reference	Title	Summary	Impact on the group's financial report	Application date for the Group
AASB 9	Financial Instruments	AASB 9 includes the requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments; Recognition and Measurement (ASB 139 Financial Instruments: Recognition and Measurement) These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below: (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investments can be recognised in profit and loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit and loss at initial recognition if doing so eliminates or significantly reduces a measure or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	The group has not yet determined the impact on the Groups financial statement	1 July 2013
AASB	Amendments to AAS arising from AASB 9 –	• The amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in	The group has not yet	1 July 2013

2009 - 11	(AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and interpretations 10 &12)	AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments Recognition and Measurement.* • This standard shall be applied when AASB 9 is applied.	determined the impact on the Group's financial statement.	
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies within the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) Entities significantly influenced by one person and entities significantly influenced by a close members of the family of that person are no longer related parties of each other; and (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government – related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013
AASB 2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) – [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19, & 127]	The requirement for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and he ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows; • The change attributed to change in credit risk are presented in other comprehensive income (OCI); and • The remaining change is presented in profit and loss. If this approach created or enlarges an accounting mismatch in the profit and loss, the effect of the changes in credit risk are also presented in profit or loss.	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013

The group has not elected to early adopt any new Standards or Interpretations

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the Group 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 statement of comprehensive income.

(f) 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 Group, 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.

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.

(g) 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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(h) Recoverable amount and impairment of assets

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

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

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

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

(i) Cash and cash equivalents

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade and other receivables

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

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

(k) Trade and other payables

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

(l) Provisions

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

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.

(m) 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.

(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 Group are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

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

(r) Employee benefits

(a) Share-based payment transactions

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

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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the financial years 2011 and 2010, 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 Group, 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 Group 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 Group, 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Group in the financial years 2011 or 2010.

(c) Superannuation plan

The Group 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 Group. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(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.

(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 2011 and 2010, no long service leave entitlement provision was made, based on the limited length of service of the Group's employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Superannuation

Contributions made by the Group 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 Group's income statement and balance sheet. Details of the Group's interests are shown at note 13.

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

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

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

Details of the Group's investments in associates are shown at Note 12.

(z) Principles of consolidation

A controlled entity is any entity AXG Mining Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Details of controlled entities are at Note 32 to the financial statements. The controlled entities have a June 30 financial year end.

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

(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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition

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

Financial Assets at Fair Value through Profit and Loss

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

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.

ab) 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

ac) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011 and 2010 financial years, the group had no exposure to foreign currency transactions and balances.

ad) Critical Estimates and Judgments

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

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

i) Impairment of capitalised exploration and evaluation expenditure

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

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

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

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

Such capitalised expenditure is carried at the end of the reporting period at nil (2010: $364,012).

ii) Share-based payment transactions

The Group 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 2011 and 2010, no share based payment transaction to the benefit of employees (including directors) was enacted or carried out.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

	Consolidated	
	2011	2010
	$	$
Financial assets		
Cash and cash equivalents	483,504	214,140
Trade and other receivables	109,893	79,320
Investments in associated Group	-	1,927,340
Other financial assets	24,827	1,494,503
	618,224	3,715,303
Financial liabilities		
Trade and other payables	188,559	608,000
Other financial liabilities	23,468	21,561
	212,027	629,561

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

Risk Exposures and Responses

(a) Interest rate risk exposure

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

At 30 June 2011, 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 2011	Loss after tax allowing for changes (if applicable)	Interest Income	Average interest rate - overall
Original data	3,271,968	73,363	5.67
Interest Income positive 100 basis points	3,271,059	74,569	6.67
Interest Income positive 50 basis points	3,271,365	73,966	6.17
Interest Income negative 100 basis points	3,273,174	72,157	4.67
Interest Income negative 50 basis points	3,272,571	72,760	5.17

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial year ended 30 June 2010	Loss after tax allowing for changes (if applicable)	Interest Income	Average interest rate - overall
Original data	995,186	74,980	5.72%
Interest Income positive 100 basis points	982,066	88,100	6.72%
Interest Income positive 50 basis points	988,621	81,545	6.22%
Interest Income negative 100 basis points	1,008,286	61,880	4.72%
Interest Income negative 50 basis points	1,001,731	68,435	5.22%

(b) Credit risk exposure

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

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

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

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

(c) Liquidity risk

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

The Group manages liquidity risk by continually:

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

(d) Capital Management

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

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

(e) Fair values

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

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	
		2011	2010	2011	2010	2011	2010	2011	2010
Financial liabilities due for payment									
Trade and other payables	-	188,559	608,000	-	-	-	-	188,559	608,000
Total expected outflows		188,559	608,000		-	-	-	188,559	608,000
Financial assets - cash flows realisable									
Cash and cash equivalents		483,504	214,140	-	-	-	-	483,504	214,140
Trade receivable	-	109,893	79,320	-	-	-	-	109,893	79,320
Loan to related parties – non - interest bearing				-	90,000	-	-	-	90,000
Loan to related parties – interest bearing					1,012,466	-	-	576,000	1,012,466
Security Deposit	-	199,051	199,051	-	-	-	-	199,051	199,051
Investments accounted for using the equity method	-	-	-	-	1,927,340	-	-	-	1,927,340
Available-for-sale financial assets	-	-	-	24,827	192,986	-	-	24,827	192,986
Total anticipated inflows			492,511		3,222,792	-	-	1,393,275	3,715,303
Net (outflow)/inflow on financial instruments			(115,489)		3,222,792			1,204,716	3,107,303

	Consolidated	
	2011	**2010**
5. REVENUE		
Interest received	73,363	74,980
Net gain on sale of asset	9,321	89,167
Fair value gain / (loss) on investments	-	(63,780)
Miscellaneous Income	1,000	-
	83,684	100,367

6. PROFIT / (LOSS) BEFORE INCOME TAX		
Profit / (loss) before income tax has been determined after:		
Interest expense	10,414	1,306
Write off of capitalised exploration expenditure	364,012	529,247
Write off of capitalised exploration expenditure as incurred	36,703	73,608
Impairment of exploration expenditure	-	-
Consultants	115,238	224,087
Director fees	80,000	73,667
Share of associated Group loss	27,034	87,417

7. INCOME TAX EXPENSE

		Consolidated	
		2011	**2010**
(a)	The components of income tax expense comprise:	**$**	**$**
	Current tax		
	Deferred tax	-	-
		-	-
(b)	Prima facie income tax expense (benefit) calculated at 30% of profit / (loss) (2010: 30%)	(981,590)	(457,330)
	Decrease in income tax benefit due to:		
	Entertainment expenses	2,140	192
	Depreciation per accounts	7,710	10,520
	Capital Expenditure	-	4,015
	Write off of capitalised exploration expenditure	109,203	158,774
	Others – impairment charges	(1,380)	144
	Other – Impairment	634,305	-
	Increase in income tax benefit due to :		
	Capitalised exploration expenses	-	-
	Tax deductible depreciation	(7,710)	(10,520)
	Income tax expense / (benefit) on profit / (loss)	(237,322)	(294,205)
	Losses not brought to account	-	-
	Losses recognized for the first time	-	-
	Tax losses not recognised as utilisation not probable	237,322	294,205
	Income tax expense / (benefit) on profit / (loss)	-	-
	Tax Losses		
(c)	Unused tax losses for which no deferred tax asset has been recognised	5,729,181	2,457,212
	Potential tax benefit at 30 % (2010 30%)	1,718,754	737,163
(d)	Unrecognised temporary differences		
	Deferred tax assets		
	Tax losses	(1,718,754)	(737,163)
		-	-

7. INCOME TAX EXPENSE (cont.)

The net deferred tax assets arising from these balances have not been recognised as an asset because recovery is not probable at the point in time. The recoupment of available tax loses as at the 30 June 2011 is contingent upon the following:

(i) The Group deriving future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
(ii) The conditions for deductibility imposed by tax legislation continuing to be complied with; and

There being no changes in tax legislation which adversely affect the Group from realising the benefit.

8. DIVIDENDS

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

9. CASH AND CASH EQUIVALENTS	**Consolidated**	
	2011	**2010**
	$	**$**
Cash at bank	483,505	214,140
10. TRADE AND OTHER RECEIVABLES		
Other debtors	109,893	79,320

	Consolidated	
	2011	**2010**
	$	**$**
11. OTHER FINANCIAL ASSETS		
CURRENT		
Security Deposit	199,051	199,051
Loan to associated Group	-	-
Related party loans	176,000	702,466
Related party – convertible note	400,000	400,000
Available-for-sale financial assets		-
	775,051	1,301,517
OTHER FINANCIAL ASSETS		
NON-CURRENT		
Available-for-sale financial assets	24,827	192,986
	24,827	192,986

Available – for – sale financial assets comprise Listed investments at fair value $24,827 (2010:$192,986)

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Associated Group		
Loans and Investments	2,326,462	2,112,418
Impairment and associated loss	(2,326,462)	(185,078)
	-	1,927,340

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 Group which has an option to 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. As at 30 June 2011 AXG has expended a total of $1,126,919 (2010:AUD 912,875). This has been fully impaired.

	Consolidated	
	2011	2010
	$	$

13. INTEREST IN JOINT VENTURES

The group has a 49.9% interest in the Dalgaranga Gold Mines joint venture, the principal activity of which is exploration. The groups share of the assets and liabilities is as follows:

	2011	2010
Current Assets		
Cash	9,972	9,986
Receivables	-	-
Total Current Assets	9,972	9,986
Non-Current Assets		
Exploration and evaluation expenditure	574,603	529,247
Total Non-Current Assets	574,603	529,247
Share of Total Assets of Joint Venture	584,575	539,233
Current Liabilities		
Trade creditors	118,916	116,237
Total Current Liabilities	118,916	116,237
Share of Total Liabilities of Joint Venture	118,916	116,237
Net Interest in Joint Venture	465,659	422,996

	Consolidated	
	2011	**2010**
	$	**$**
14. PROPERTY, PLANT & EQUIPMENT		
Office equipment at cost	108,983	108,983
Less accumulated depreciation	(104,000)	(78,210)
	4,983	30,773
Movements in carrying amounts		
Balance at the beginning of the financial year	30,773	61,707
Additions	-	4,132
Depreciation expense	(25,791)	(35,066)
Disposals	-	-
Write-offs	-	-
Carrying amount at the end of the financial year	4,982	30,773

	Consolidated	
	2011	**2010**
	$	**$**
15. EXPLORATION AND EVALUATION EXPENDITURE		
Exploration and evaluation expenditure	-	364,012
Movement in carrying amounts		
Balance at the beginning of the period	364,012	893,259
Capitalised expenditure this period	17,774	73,608
Exploration expenditure – written off	(381,786)	(529,247)
Exploration expenditure written off as incurred	-	(73,608)
Balance at the end of the period	-	364,012

16. TRADE AND OTHER PAYABLES		
Trade creditors	35,968	340,000
Loans from Related parties	-	250,000
Other creditors and accruals	152,592	18,000
	188,560	608,000
17. SHORT-TERM PROVISIONS		
Annual leave	23,467	21,561
Provision for income tax	-	-
	23,467	21,561

18. ISSUED CAPITAL

(a) Ordinary shares

	Consolidated 2011 $	Consolidated 2010 $
219,500,000 fully paid ordinary shares (2010: 109,750,000)	10,518,062	9,455,670
At beginning of reporting period	9,455,670	9,455,670
Share issue	1,097,500	-
Capital raising costs on issue of shares	(35,108)	-
At reporting date	10,518,062	9,455,670

The Company has no authorised share capital or par value in respect of issued shares. These were eliminated from companies capital structures by statute in 1998.

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

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

(b) Capital Management

The Directors' objective when managing capital is to ensure that the Company can funds its operations and continue as a going concern, so that they may continue to provide returns to shareholders and benefits to other stake holders. Due to the nature of the Company's activities, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet business development and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with the view to initiate appropriate capital raisings as required.

19. RESERVES

	Consolidated 2011 $	Consolidated 2010 $
Total reserve	661,390	746,110
(a) Option reserve	785,910	785,910
(b) Fair value adjustments for sale financial assets reserve	(124,520)	(39,800)
Total reserve	661,390	746,110

19. RESERVES (cont.)

	Consolidated	
	2011	**2010**
	$	**$**
(a) Options Reserve		
At beginning of reporting period	785,910	785,910
Options issued	-	-
Total option reserve	785,910	785,910

Nature and purpose of reserve:
The options reserve is used to recognise the fair value of options granted but not exercised.
Ordinary share participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.
As the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

Listed options	**No.**	**No.**
At the beginning of the reporting period	102,250,000	102,250,000
Issued with share issue	-	-
Expired	(102,250,000)	-
Total number of options	-	102,250,000

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

Employee options	**No.**	**No.**
At the beginning of the reporting period	-	-
Issued	-	-
Surrendered	-	-
Total number of employee options	-	-

(b) Financial Assets Reserve

	2011	**2010**
	$	**$**
At the beginning of the reporting period	(39,800)	4,994
Fair value adjustment on available for sale financial assets	(84,720)	(44,794)
Total asset reserve	(124,520)	(39,800)

Financial assets reserve records revaluation of financial assets
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

	2011 $	2010 $
20. ACCUMULATED LOSSES		
Accumulated losses at beginning of the period	(6,719,513)	(5,195,080)
Net profit / (loss) attributable to members	(3,271,969)	(1,524,433)
Accumulated losses at reporting date	(9,991,482)	(6,719,513)

21. COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding commitments, which are not disclosed in the financial statements of the Group as at 30 June 2011 other than:

	2011 $	2010 $
Not later than one year	70,062	70,062
Longer than one year, but not longer than five years	171,520	372,479
Longer than 5 years	-	-
Total	241,582	442,541

Tenement commitments

The Group 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 Group 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 Group's projects, the Group 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 Group 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
No Royalty agreements are currently in place.

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 (2010: $199,051).

Native Title Claims

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

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

22. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated 2011 $	Consolidated 2010 $
a) Cash	483,504	214,140

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

	2011 $	2010 $
Profit/(Loss) after income tax	**(3,271,969)**	(1,524,433)
Non-cash flows in profit from ordinary activities		
Depreciation	25,791	35,066
Write down of exploration expenditure	381,786	529,247
Impairment write-down of exploration expenditure	-	-
Gain / (loss) on sale of investments	(9,321)	(89,167)
Loss on options	-	2,415
Provision for diminution	-	-
Share of associated entity loss	27,034	87,417
Impairment on loans and investment	2,124,434	-
Changes in Assets and Liabilities		
(Increase)/decrease in receivables	(30,573)	178,733
(Increase)/decrease in other assets	-	-
Increase/(decrease) in payables	(419,440)	177,833
Increase/(decrease) in provisions	1,906	6,797
Cash flows from/(used) in operations	(1,170,352)	(596,092)

23. SHARE BASED PAYMENTS

During the year, AXG Mining Ltd did not make any share based payments (2010: nil).

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 2011 $	Consolidated Year Ended 30 June 2010 $
Net loans made by / (to) Directors and Director related entities as at end of year		
AAG Management Pty Ltd	-	159,060
Advance Energy Limited	(65,787)	(39,052)
Kilgore Oil & Gas	-	(2,715)
Palace Resources Limited	-	-
Vector Resources Limited	-	(1,356)

All loans made by the directors related entities to the Consolidated entity and by the Consolidated entity to a director related Group were as unsecured loans and payable on demand. Parties are related because of common directors and office holders.

AAG Management Pty Ltd	-	424,875
Advance Energy Limited	-	-
Palace Resources Limited	-	9,520

	Consolidated	
	Year Ended 30 June 2011 $	Year Ended 30 June 2010 $
Services provided to / (by) director related entities.		
Kilgore Oil & Gas	-	10,387
The following amounts payable to /(receivable from) related parties:		
AAG Management Pty Ltd	-	(60,000)
Advanced Energy Limited	(175,000)	(500,000)
GBU Capital Pty Ltd	(30,000)	(30,000)
Kilgore Oil & Gas Limited	-	(112,466)
Palace Resources Ltd	-	(250,000)

NOTE 25: PARENT ENTITY DISCLOSURES

Financial position

The parent entity of the AXG Mining Consolidated Group is AXG Mining Limited.

	Parent	
	Year Ended 30 June 2011 $	**Year Ended 30 June 2010 $**
Assets		
Current Assets	389,995	1,600,201
Non- current assets	994,050	2,483,639
Total Assets	**1,384,045**	**4,083,840**
Liabilities		
Current Liabilities	212,027	629,627
Non-current liabilities	-	-
Total Liabilities	**212,027**	**629,627**
Net Assets	**1,172,018**	**3,454,213**
Equity		
Issued capital	10,518,062	9,455,670
Accumulated losses	(10,029,584)	(6,757,615)
Reserves		
Options reserve	785,910	785,910
Financial assets reserve	(102,370)	(29,752)
Total reserves	**683,540**	**756,158**
Total equity	**1,172,018**	**3,454,213**

	Parent	
	Year Ended 30 June 2011 $	**Year Ended 30 June 2010 $**
Statement of financial position for the year of the parent company	**(3,271,969)**	**(1,431,722)**
Other comprehensive income	(84,720)	185,651
Total comprehensive income for the financial year	**(3,356,689)**	**(1,246,071)**

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

The Group has lent $862,773 (2010: $1,105,621) to Greencode Pty Ltd and an accumulated impairment of $85,538 (2010: $122,656) has been charged to Profit & Loss at the parent level.

NOTE 25: PARENT ENTITY DISCLOSURES cont.

Mr Sklenka and Mr Bajada are directors of GBU Capital Pty Ltd, a Group 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.

26. OPERATING SEGMENTS

AXG Mining has adopted AASB 8 Operating Segments and AASB 2007 – 3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Makers in order to allocate resources to the segments and to assess the performance. In contrast, the Standard replaced by AASB 8 (ASB 114 Segment reporting) required an entity to identify two sets of segments (Business and geographical), using a risk and rewards approach, with the entity's "System of internal financial reporting to key management personnel" serving only as a starting point for the identification of the segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

The Consolidated Entity has 1 reportable segment as well as head office and other activities, and this is exploration, within the state of Western Australia.

The Consolidated Entity has identified its operating segments based on internal reports that are reviewed and used by the executive management team in assessing the performance and in determining the allocation of resources. All reporting segments are measured using Australian Accounting Standards and the segments are determined due to the diverse operational and geographical nature. No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance for the exploration and development segments is evaluated based on capital spend.

27. AUDITORS REMUNERATION

	2011 $	2010 $
Remuneration of the auditor of the Group for:		
- auditing or reviewing the financial report	25,459	39,000
- other services	-	-
	25,459	39,000

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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years, other than:

On the 27th of July 2011, the board of AXG Mining Ltd announces that it has closed its Turkmenistan office and has had to terminate the employment of its commercial and technical staff. Although after receiving assurances from government officials that the contract would be signed within a short period and after giving the Government several opportunities to perform, the AXG Board have reluctantly withdrawn its support for any future activities in Turkmenistan.

The closure of office follows nearly 18 months of frustration in trying to finalise an exploration agreement with the Turkmenistan Government.

On 19 September 2011, the Company announced that AXG has executed an agreement to acquire 100 per cent of Halston Exploration Inc. (Halston), a company which has the right to earn up to 75% interest in two projects in the Cusco region of Peru from Lara Exploration Ltd, a corporation incorporated in Canada and listed on the TSX – V (Code LRA).

The Company, via its acquisition of Halston, has entered into a two staged options agreement, whereby it can earn up to a 75% interest in the two projects, based on the completion of a series of exploration expenditure milestones, following the initial costs.

The following table sets out the terms of the arrangement:

100% acquisition of Halston Exploration Inc. – a private corporation that holds the rights to earn up to a 75% interest in two Southern Peru properties – *Condoroma* and *Coporaque* . These properties interests will be acquired from Lara Exploration Ltd, a company incorporated in Canada and which is bound by the rule and regulations associated with the Canadian Securities Administrators.	• Issue of 126,000,000 AXG Mining fully paid ordinary shares to the existing shareholders of Halston Exploration Ltd, and • US$150,000 as reimbursement of previously expended business development expenditure associated with *Condoroma* and *Coporaque,* to the existing shareholders of Halston.

The combined properties consist of 24 mineral concessions covering 17,764 hectares and are located 75 kilometres from one another in the southern part of the Cusco region, Peru. The properties are located along a prominent and highly prospective copper – gold mineralization belt (the Andahuaylas – Yauri mineralisation).

Under the terms of the Letter of Intent, the Company, via the acquisition of Halston, has entered into a two – staged option agreement whereby it can initially earn a 55% interest in the individual property over a defined period, and then earn a further 20% of the rights and interests in that property by completing additional expenditure and tasks, within another time period

Condoroma

Date	Payment (US$'000's)	Exploration expenditures (US$'000's)	Explanatory Notes
Execution Date ("ED")	$100		Cash payment upon signing agreement.
ED + 12 months (Yr 1)	$200	$1,000	Minimum 1,500m diamond drilling, with such payments satisfied by a mutually agreed upon split of cash and/or an equivalent amount of fully paid ordinary shares of AXG
ED + 24 months (Yr 2)	$500	$1,000	Minimum 2,000m diamond drilling, with such payments satisfied by a mutually agreed upon split of cash and/or an equivalent amount of fully paid ordinary shares of AXG
ED + 36 months (Yr 3)		$1,500	
By end of yr 3, aggregate payments of $800k and exploration expenditures of $3,500k earns a 55% interest			
Notice Date ("ND")	$1,000		ND within 60 days of having earned 55% Cash payment on or before ND
ND + 36 months (Yr 6)		$7,000	Minimum of $1,500 exploration per year
ND + 48 months (Yr 7)			Delivery of NI 43-101 Pre-Feasibility Study

By end of yr 3 following ND, aggregate payments of $1,000k, exploration expenditures of $7,000k and by end of yr 4 following ND, the delivery of a NI 43-101* Pre-Feasibility Study earns an additional 20% interest			
Aggregate payments of $1,800k, exploration expenditures of $10,500k and delivery of a NI 43-101 Pre-Feasibility Study earns a 75% total interest in Condoroma			
Coporaqua			
Date	**Payments (US$ 000s)**	**Exploration Expenditures (US$ 000s)**	**Explanatory Notes**
Execution Date ("ED")	$100		Cash payment upon signing agreement
ED + 12 months (Yr 1)	$200	$500	Payments satisfied by a mutually agreed upon split of cash and/or an equivalent amount of fully paid ordinary shares of AXG
ED + 24 months (Yr 2)	$350	$1,000	Minimum 1,000m diamond drilling, with such payments satisfied by a mutually agreed upon split of cash and/or an equivalent amount of fully paid ordinary shares of AXG
ED + 36 months (Yr 3)		$1,500	Minimum 1,500m diamond drilling
By end of yr 3, aggregate payments of $650k and exploration expenditures of $3,000k earns a 55% interest			
Notice Date ("ND")	$1,000		ND within 60 days of having earned 55% Cash payment on or before ND
ND + 36 months (Yr 6)		$7,000	Minimum of $1,500 exploration per year
ND + 48 months (Yr 7)			Delivery of NI 43-101 Pre-Feasibility Study
By end of yr 3 following ND, aggregate payments of $1,000k, exploration expenditures of $7,000k and by end of yr 4 following ND, the delivery of a NI 43-101 Pre-Feasibility Study earns an additional 20% interest			
Aggregate payments of $1,650k, exploration expenditures of $10,000k and delivery of a NI 43-101 Pre-Feasibility Study earns a 75% total interest in Coporaque			
*NI 43-101 (the **National Instrument 43-101** (the "**NI 43-101**" or the "**NI**")) - is a rule developed by the Canadian Securities Administrators (CSA) and administered by the provincial securities commissions that			

governs how issuers disclose scientific and technical information about their mineral projects to the public. The NI 43-101 is broadly comparable to the Joint Ore Reserves Committee Code (JORC Code) which regulates the publication of mineral exploration reports on the Australian Stock Exchange (ASX).

Binding agreements are subject to due diligence (including, but not limited to, confirmation of satisfactory claims registration) and regulatory and shareholder approval.

		2011	2010
			$
29.	**EARNINGS PER SHARE**		
(a.)	Reconciliation of earnings to net profit or loss Net Profit / (Loss)	(3,271,969)	(1,524,433)
(b.)	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	159,038,107	109,750,000
	Basic earnings per share (Dollars per share)	(0.021)	(0.014)

In addition to the above ordinary shares, the Group has on issue nil options (2010: 102,250,000) that could potentially dilute basic earnings per share in the future. These options have not been included in the calculation of diluted earnings 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. GROUP DETAILS

The registered and principal office of the Group is:
Suite 4 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, and where wholly owned subsidiaries of AXG Mining Ltd in the 2011 financial year.

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

Greencode Pty Ltd is an investment Group.

AXG Mining Ltd is the head entity within the tax consolidation group and all the companies are members of the tax consolidation group.

Mining And Petroleum Projects L td (ACN 146 572 198) was incorporated on 28 September 2010 is not trading, holds no assets nor has incurred any liabilities

DIRECTORS' DECLARATION

The directors of the AXG Mining Ltd declare that:

1. in the directors' opinion, the financial statements and accompanying notes are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the *Corporations Regulations 2001*; and other mandatory professional reporting requirements, and

   b. give a true and fair view of the Consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, an

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

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

The remuneration disclosures included in section A to C of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001*; and

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

____

R BERZINS
Director

DATED at PERTH this 30th day of September 2011

Perth Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of AXG Mining Limited for the year ended 30 June 2011, 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.

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 30 September 2011

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

We have audited the accompanying financial report of AXG Mining Limited and its controlled entities, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow 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 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 is in accordance with the Corporations Act 2001 including:

(a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

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

Material Uncertainty Regarding Continuation as a Going Concern
Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2 to the financial statements, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

REPORT ON THE REMUNERATION REPORT
We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2011. The directors 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 for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001*.*

Crowe Horwath Perth

CROWE HORWATH PERTH

Sean McGurk

SEAN MCGURK
Partner

Signed at Perth, 30 September 2011

ADDITIONAL SHAREHOLDERS INFORMATION

Additional information required by the Australian Stock Exchange (ASX) listing rules as 20th September 2011

List of 20 largest shareholders

Ranking	Name	Shares Held	% of total shares
1	PENSON AUST NOM PL <Indian Ocean Account>	21,710,000	9.89%
2	KING TOWN HLDGS PL <Employee S/F A/C>	10,800,000	4.92%
3	FORMAINE PL	7,000,000	3.19%
4	SPARTAN NOM PL <Spartan S/F A/C>	7,000,000	3.19%
5	BLUEBASE PL	7,000,000	3.19%
6	FAY HLDGS PL	6,153,334	2.80%
7	TRIBUNE RES NL	5,854,482	2.67%
8	ACCORD INV CORP PL <Accord unit A/C>	5,000,000	2.28%
9	FAY HLDGS PL <A N Short Fam A/C>	5,000,000	2.28%
10	EXCHANGE MINERALS LTD	5,000,000	2.28%
11	KING DRAGON FAR EAST LTD	5,000,000	2.28%
12	GREENRIDGE HLDGS PL <Aspen Plains SVC A/C>	4,000,000	1.82%
13	SEMERDZIEV IANAKI	3,958,975	1.80%
14	MEADSVALE LTD	3,721,156	1.70%
15	KING DRAGON FAR EAST LTD	3,400,000	1.55%
16	RAND MINING NL	3,125,857	1.42%
17	SUNLAND SYSTEMS PL <Sunland Systems A/C>	3,000,000	1.37%
18	VIENTO GRP LTD	2,875,000	1.31%
19	ICERIG NOM PL	2,700,000	1.23%
20	UBS WEALTH MGNT AUST NOM	2,570,000	1.17%
Total of top 20 Shareholders		114,868,804	52.34%

Substantial Shareholders

Name	Shares held	% of total shares
PENSON AUST NOM PL <Indian Ocean Account>	21,710,000	9.89%

Distribution of shareholder's holdings

Ordinary shares held	Number of shareholders	Number of shares
1 – 1,000	6	1,381
1,001 – 5,000	20	68,988
5,001 – 10,000	70	649,716
10,001 – 100,000	216	10,043,3951
100,001 and over	165	208,735,964
Total	**477**	**219,500,000**

Enquiries

Shareholders with any enquiries about any aspect of their shareholding should contact the Group'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 Group. This can be done in writing to the Group 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 Group'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 Group is:	AXG Mining Limited Suite 4, 16 Ord Street West Perth WA 6005
Telephone	+61 8 9429 2900
Fax	+61 8 9486 1011
E mail	
Website	

Group 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	22		21/12/2006	20/12/2011	Foynes & Slater	100%