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AXG Mining to acquire Large Scale Copper / Gold Licenses in Zambia

Highlights

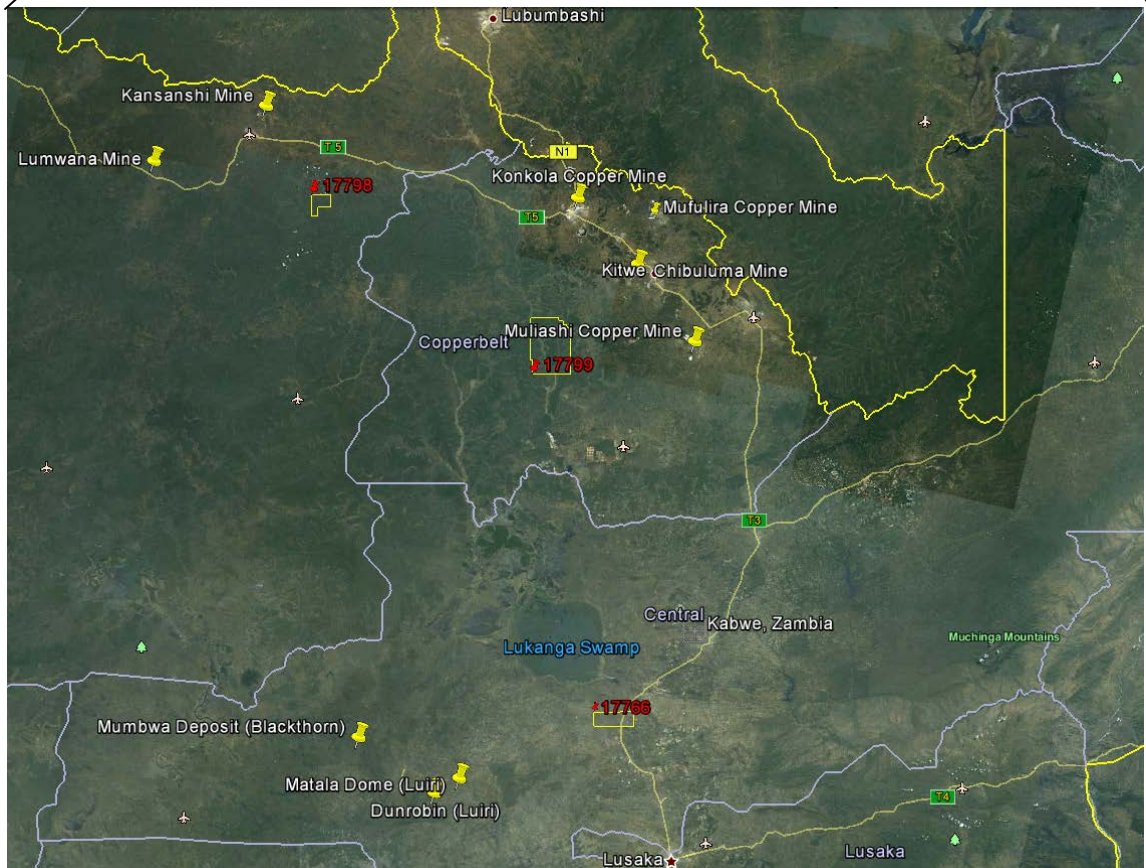
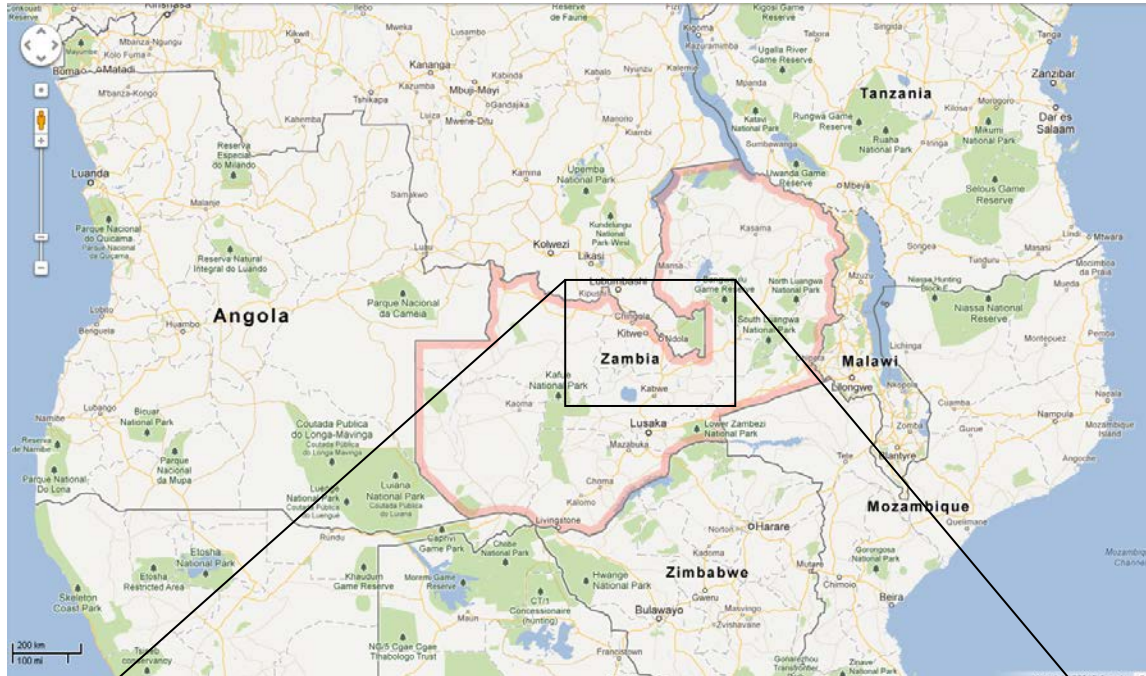
- AXG executes Heads of Agreement for the all-scrip acquisition of 100% of Pinto Minerals Ltd
- Pinto has rights to earn 64% interest in three Large Prospecting Licenses in Zambia.
- Licenses include a 514km² license in the Copperbelt Province and a 69km² license to the southwest of the massive Lumwana and Kansanshi Mines
- A third License, prospective for gold and copper, is located in the Mumbwa District of the Central Province, between Lusaka and Kabwe.

AXG Mining Ltd (**AXG** or **Company**) is pleased to announce that it has executed a Heads of Agreement to acquire 100% of Pinto Minerals Ltd (**Pinto**). The Heads of Agreement is subject to due diligence and the satisfaction of a number of conditions, including shareholder approval and the granting of the licenses currently under application.

Pinto has executed an Option Agreement to acquire a 64% interest in three Large Scale Prospecting Licenses that are currently under application at the Department of Mines in the Republic of Zambia. The Licenses are considered to be primarily prospective for copper and/or gold but may also be prospective for several other minerals, including cobalt.

Project Location

Two of the Licenses, 177980-HQ-LPL and 17799-HQ-LPL are located in the north of the country in close proximity to some of Africa's largest copper deposits while the third is located in the Central Province, to the north of the capital, Lusaka.



Zambian Copper Industry

Zambia is a landlocked country in Southern Africa with a total area of 752,614km² and a population of 12 million people. Zambia boasts a stable, multi-party democracy with English language and law as well as a modern mining act. The country is endowed with mineral resources and since 1930s the mining industry and, particularly copper, has been the economic backbone of Zambia.

Zambia is the world's seventh largest producer of copper, generating 3.3% of the western world's production. Copper accounts for 80% of Zambia's foreign exchange earnings and has, since 2003, been the main driver of an annual economic growth rate of 5%.

Copper production in the country peaked in the 1970s at approximately 700,000 tonnes per annum but plummeted after the Zambian Government nationalised many of the mines. The process of privatising the industry commenced in the 2001 and, since then, there has been significant foreign investment in the Zambian copper industry. Annual production is now back at approximately 800,000 tonnes per annum and the Government has set a goal of increasing production to 1,500,000 tonnes per annum by 2015. Investment in the Zambian mining industry has been hampered by claims of corruption but President, Michael Sata, who took office in October 2011, has taken a number of steps to increase transparency including a temporary moratorium on the issue and renewal of mining licenses. This resulted in a large number of licenses that had been inappropriately awarded or where insufficient activity had been undertaken being revoked. The Licenses currently under application are among the first that will have been granted since the moratorium has been lifted and, in the Company's opinion, are among the most prospective Licenses available.

Description of the Licenses

The Licenses are summarised in the table below:

Large Scale Prospecting Licenses					
License No	Initial Interest	Region	Status	Area	Resources
17798-HQ-LPL	64%	Solwezi, North Western Province	Pending	69 km ²	Copper, Cobalt
17799-HQ-LPL	64%	Ndola, Copper Belt Province	Pending	514 km ²	Copper,
17766-HQ-LPL	64%	Mumbwa, Central Province	Pending	137 km ²	Gold, Copper,

The Licenses were applied for in July 2012 and, when granted, will be issued for an initial term of two years but which may then be re-issued for a further two-year term followed by a three-year term.

17798-HQ-LPL (Solwezi District)

Large Prospecting License No 17798 covers an area of 69km² approximately 40 km south of Solwezi. Solwezi is the capital of the North-West Province of Zambia and is the principal service centre for Barrick Gold's Lumwana Mine and First Quantum Mineral's Kansanshi Mine.

17799-HQ-LPL (Ndola District)

Large Prospecting License No 17799 covers an area of 514km² approximately 50 km southwest of Kitwe in the Copperbelt Province of Zambia. The Zambian Copper Belt, together with the corresponding Katanga copperbelt across the border in the Democratic Republic of Congo (DRC) comprises the World's second largest copper deposit, after Chile. Many of the deposits within the Copper Belt are of an extremely high grade, with several deposits having copper grades in excess of 5%.

17766-HQ-LPL (Mumbwa District)

Large Prospecting License No 17766 covers an area of 137km² in the Central Province of Zambia between Lusaka and Kabwe. Until the Copperbelt was developed, Kabwe was home to the largest copper mine in Zambia. The Mumbwa District contains a number of historical copper and gold mines and current resources, such as Blackthorn Resources' Kitumba Deposit (439 Million tonnes at 0.25% Cu cut-off) and Luiri Gold's Dunrobin gold project

Terms of the Acquisition

Pinto currently has approximately 17.5m shares on issue and has an Option Agreement to acquire 80% of Element Enterprises Ltd which owns 80% of the Licenses through its shareholding in a Zambian company, Bally Minerals Ltd. Hence, Pinto has the Option to acquire a 64% interest in the Licenses. Pinto is finalising the raising of \$500,000 in seed capital. The consideration for exercising the Option is a combination of shares, performance securities (shares and options) and a royalty.

AXG proposes to acquire 100% of the issued capital of Pinto by the issue of 10 shares for each share issued in Pinto, including those that may be issued by way of the seed capital raising. It also proposes to issue performance securities on the same ratio of 10 for 1 to the current holders of the performance securities in Pinto.

Consideration for the acquisition of Pinto Minerals				
Class	Issued in Pinto	To be Issued by AXG	Performance Related?	Conditions
Consideration Shares	37,412,003 ¹	374,120,030	NO	6 Month voluntary Escrow
Seed Capital Shares	10,000,000 ²	100,000,000	NO	Subject to Pinto raising additional seed capital at \$0.05 – no escrow
Performance Shares	20,000,000	200,000,000	YES	On conversion of one licenses to a Large Mining License
A Class Performance Options	20,000,000	200,000,000	YES	Vest on achieving a JORC Resource of 10,000,000 tonnes at a 0.5% Cu cut-off
B Class Performance Options	20,000,000	200,000,000	YES	Vest on achieving a JORC Resource of 20,000,000 tonnes at a 0.5% Cu cut-off

¹ Includes 20,000,000 shares issued to the vendors of Element Enterprises Ltd on exercising the Option Agreement

² Pinto is raising a maximum of \$500,000 by the issue of 10,000,000 shares at \$0.05 per share.



The vendors of Element also own a production royalty of US\$0.25 per pound of copper produced or US\$0.05 per pound of copper concentrate produced.

Conditions Precedent to the AXG Transaction

Completion of the Transaction is subject to satisfaction of the following conditions precedent:

- the granting of the Zambian Licenses by the Minister for Mines;
- the Company completing due diligence investigations on the business operations of Bally (including the Zambia Licenses) and being satisfied with the outcome of such investigations (in its absolute discretion);
- the Company obtaining all necessary regulatory and shareholder approvals required to complete the Transaction; and
- the Company securing letters of acceptance from all Pinto shareholders for its proposed offer to acquire their shares in Pinto.

Capital Raising

Subject to completion of the Acquisition, the Company plans to undertake a placement to raise up to \$1,000,000 before costs. . It is proposed that the Placement would be at an issue price of \$0.005 and would therefore involve the offer of 200,000,000 shares

Work Program

Pinto has prepared a work program that will be implemented once the Licenses have been granted with the aim of delineating a resource in each of the Licenses and applying for the conversion of one or more of the Licenses into Large Scale Mining Licenses.

The work program will initially comprise the collection and analysis of historical geological information from the Department of Mines and other sources, before undertaking an aerial surveying program, trenching and soil sampling and the commencement of a drilling programme.

Management Team

The proposed project management team has extensive project management experience at some of the largest mines in Zambia and elsewhere in Africa. The in-country team, which comprises experienced geologists, mining professionals and engineers from Zambia and other southern African countries, has developed excellent relationships with the Mines Department and other key stakeholders.

Peruvian Projects

The Company intends to maintain its interests in the Coparaque and Condorama Projects in Peru that have been its focus for the past 12 months. It intends to fund continuing operations through a partly-owned Canadian subsidiary with fundraising activities to be undertaken in Toronto.

FOR FURTHER INFORMATION PLEASE CONTACT:

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