



31 January 2012

## ASX Release

The directors of AXG Mining Ltd (“AXG”) have pleasure in presenting their quarterly report for the period ended 31 December 2011.

### Peru

During the quarter all conditions precedent were completed for the acquisition of Halston Exploration Inc. (“Halston”). Halston holds the farm-in rights to the Condorama and Coparaque projects in Peru. The area hosts the world class Andahuaylas-Yauri mineral belt which currently contains in excess of four billion tonnes of copper/gold discoveries. All acquisition documentation has been completed and AXG is now finalising execution by all vendors and will complete the acquisition by mid February 2012.

Discussions have commenced with the local communities for the granting of drilling approvals with the initial response being very supportive. The process is continuing and all parties anticipate a positive outcome.

During December an extensive surface geochemistry program was undertaken at Condorama. Following the sampling and mapping program in previously unexplored areas, a number of high impact targets have been identified. Further results from this program will be available in the next quarter.

The Company is looking forward to completing the acquisition of Halston and commencing the exploration program with the aim to commence drilling at Condorama in early May 2012.

### Capital raising

On 2 December 2011, the Company issued a prospectus to raise up to \$1,530,000 through the issue of up to 170,000,000 fully paid ordinary shares in the company at an issue price of \$0.009 per share.

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As at the 31 December 2011, the Company had issued the following fully paid ordinary shares in the Company under this issue:

Method	Number of Shares issued
As per prospectus of 2 December 2011	34,777,775
Shares issued under S708	10,000,000
Shares issued via Share based payments	18,000,000
Total shares issued	62,777,775

The minimum subscription level has been reached for the raising and the first tranche of shares applicable to this prospectus has been issued.

Roland Berzins

Company Secretary

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

AXG MINING LIMITED

ABN

93 092 304 964

Quarter ended ("current quarter")

31 December 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for:		
(a) exploration & evaluation	(11)	
(b) development	-	(15)
(c) production	-	-
(d) administration	(256)	(630)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(266)</b>	<b>(639)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(157)	(157)
1.11 Loans repaid by other entities	99	313
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(58)</b>	<b>156</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(324)</b>	<b>(483)</b>

1.13	Total operating and investing cash flows (brought forward)	(324)	(483)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	313	313
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	(6)	(6)
	<b>Net financing cash flows</b>	307	307
	<b>Net increase (decrease) in cash held</b>	(17)	(176)
1.20	Cash at beginning of quarter/year to date	186	345
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	169	169

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	35
1.24	Aggregate amount of loans to the parties included in item 1.10	157
1.25	Explanation necessary for an understanding of the transactions	
	Consulting fees, Director fees and Management fees – 1.2	
	Set up cost associate with office in Peru re: Acquisition – 1.10	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

**Financing facilities available***Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	15
4.2 Development	-
4.3 Production	-
4.4 Administration	130
<b>Total</b>	<b>145</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	169	36
5.2 Deposits at call	-	150
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>169</b>	<b>186</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

**Issued and quoted securities at end of current quarter**

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	280,777,775	280,777,775		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	61,277,775	61,277,775		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	nil	nil	<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )		
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Roland Berzins  
(Director/Company secretary)

Date: 31 January 2012

Print name: Roland Berzins

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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