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**AXG MINING LIMITED**

**ACN 092 304 964**

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**NOTICE OF ANNUAL GENERAL MEETING**

**An Annual General Meeting of the Company will be held at Suite 2, 16 Ord Street West Perth, Western Australia on 16<sup>th</sup> November 2011 at 10:15 AM (WST).**

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*This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please contact the Company Secretary on (08) 9429 2900.***

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## IMPORTANT INFORMATION

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### TIME AND PLACE OF MEETING

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Notice is given that the general meeting of the Shareholders to which this Notice of Meeting relates will be held at Suite 2, 16 Ord Street West Perth, Western Australia on 16<sup>th</sup> November 2011 at 10:15 AM (WST).

### YOUR VOTE IS IMPORTANT

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The business of the General Meeting affects your shareholding and your vote is important.

### VOTING ELIGIBILITY

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 10:15 AM (WST) on 14<sup>th</sup> November 2011.

### VOTING IN PERSON

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To vote in person, attend the General Meeting at the time, date and place set out above.

### VOTING BY PROXY

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

#### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

#### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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# AXG MINING LIMITED

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of AXG Mining Limited (**Company**) will be held at Suite 2, 16 Ord St West Perth, Perth, WA on 16<sup>th</sup> November 2011 at 10:15 AM (WST) (**General Meeting**).

The Explanatory Memorandum to this Notice of Annual General Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Shareholders of the Company on 14<sup>th</sup> November 2011 at 10:15 AM (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in the 'Definitions' section of the Explanatory Memorandum.

### AGENDA

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#### ORDINARY BUSINESS

##### Financial, Directors' and Auditor's Reports

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June 2011.

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## 1. Resolution 1 – Remuneration Report

To consider, and if thought fit, pass, with or without amendment, the following resolution as an **non-binding resolution**:

*"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes approval is given for the adoption of, the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2011."*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

#### Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

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## 2. Resolution 2 – Change to scale of activities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of Resolutions 3 and 4, for the purpose of Listing Rule 11.1.2 of the Listing Rules and for all other purposes, Shareholders approve a change in the scale of the Company's activities as more fully described in the Explanatory Memorandum accompanying this Notice."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons, if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 3. Resolution 3 - Issue of Vendor Securities to acquire Halston

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of Resolutions 2 and 4, in accordance with Listing Rule 7.1 of the Listing Rules and for all other purposes, approval is given for the Company to allot and the issue to the shareholders of Halston or their nominees 126,000,000 Shares (**Vendor Securities**) in accordance with the Acquisition Agreement, and on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if the Resolution is passed, or an associate of that person. However, the Company will not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 4. Resolution 4 – Approval of issue of Shares for Capital Raising

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon the passing of Resolutions 2 and 3, in accordance with Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue of up to 130,000,000 Shares at an issue price which is not less than:*

- (a) *the lower of 1 cent; and*

- (b) *the volume weighted average market price of Shares over the last five days on which sales in the Shares were recorded before the date of the Meeting,*

*and on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if the Resolution is passed, or an associate of that person. However, the Company will not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance

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### **5. Resolution 5 – Re-election of Mr Alex Bajada as a Director**

To consider, and if thought fit, pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That Mr Alex Bajada, who retires by rotation in accordance with rule 11.3 of the Constitution and for all other purposes, Mr Alex Bajada, a director who was appointed on [insert] retires and, being eligible, is re-elected as a Director"*

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### **6. Resolution 6 – Removal of Auditor**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, pursuant to section 329 of the Corporations Act and for all other purposes, approval is given for the removal of Crowe Horwarth as the current auditor of the Company effective from the date of the Meeting."*

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### **7. Resolution 7 – Appointment of Auditor**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, subject to the passing of Resolution 7, approval is given for the appointment of Somes and Cooke as auditor of the Company effective from the date of the Meeting and the Directors be authorised to agree the remuneration."*

**Short Explanation:** In the event Shareholders consent to the removal of Crowe Horwarth as auditor, a new auditor needs to be appointed. Somes and Cooke has consented to be appointed as auditor subject to the approval of Shareholders.

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## 8. Resolution 8 – ratification of prior issue – Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 32,925,000 Shares issued by way of a placement to investors that may be identified by the Company as falling within one or more of the classes of exemptions specified in Section 708 of the Corporations Act on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### BY ORDER OF THE BOARD

Company Secretary  
Dated: 13<sup>th</sup> October 2011



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## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at Suite 2, 16 Ord St West Perth, Perth, WA on 16<sup>th</sup> November 2011 at 10:15 AM (WST)

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolution in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

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### 1. Action to be Taken by Shareholders

Shareholders should read the Notice and Explanatory Memorandum carefully before deciding how to vote on the Resolution.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative ("**proxy**") to vote in their place. All Shareholders are invited and encouraged to attend the General Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the General Meeting in person.

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### 2. Financial, Directors' and Auditor's Reports

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

Shareholders will be offered the opportunity to discuss the Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June 2011, copies of which will be available on the Company's website at [www.axgmining.com.au](http://www.axgmining.com.au) from 1 October 2011. The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. There is no requirement for Shareholders to approve these reports.

Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. As a Shareholder, you are entitled to submit one written question to the auditor prior to the Meeting provided that the question relates to:

- (a) the content of the Auditor's Report; or
- (b) the conduct of the audit in relation to the Financial Report.

All written questions must be received by the Company no later than 5 business days before the Meeting. All questions must be sent to the Company and must not be sent directly to the auditor. The Company will then forward all questions to the auditor. The

auditor will answer all written questions submitted prior to the deadline stated above. Copies of the questions, if any, submitted to the Company's auditor will be available at the meeting and posted on the Company's website.

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### 3. Resolution 1 – Adoption of Remuneration Report

#### 3.1 General

Pursuant to section 250R(2) of the Corporations Act, the Company is required to put the Remuneration Report to a non-binding vote of Shareholders. The Annual Report contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the Managing Director, specified executives and non-executive Directors, where applicable. The Annual Report will be available on the Company's website at [www.axgmining.com.au](http://www.axgmining.com.au) from 1 October 2011.

The provisions of the Corporations Act dealing with the non-binding vote on the remuneration report have recently been amended. The Corporations Act still provides that Resolution 1 need only be an advisory vote of Shareholders and does not bind the directors.

However, in addition, the Corporations Act now provides that if the Company's Remuneration Report resolution receives a vote of 25 per cent or more of votes cast against the adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 annual general meeting at the Meeting the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**). Additionally, the Company's subsequent remuneration report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for not making any changes. The Board will take the outcome of the vote, even if the result it receives is less than a 25% "no" vote, into consideration when considering the remuneration policy.

In addition, the Corporations Act amendments now set out a 'two strikes' re-election process. Under the 'two strikes' re-election process, if the Company's remuneration report receives a 'no' vote of 25% or more of all votes cast at two consecutive annual general meetings (that is, 'two strikes'), the Spill Resolution must be put to the second annual general meeting, requiring Shareholders to vote on whether the Company must hold another general meeting (known as the 'spill meeting') to consider the appointment of all of the Directors who stand for re-appointment (other than the Managing Director). If the Spill Resolution is approved by a simple majority of 50% or more of the eligible votes cast, the 'spill meeting' must be held within 90 days of that second annual general meeting (unless none of the Directors, other than the Managing Director, stand for re-appointment).

The remuneration levels for directors, officer and senior managers are competitively set to attract and retain appropriate directors and key management personnel.

The chairman of the Meeting will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

### 3.2 Voting Restriction for Key Management Personnel

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

### 3.3 Voting Restrictions where Proxy is Key Management Personnel

Pursuant to the Corporations Act, if you elect to appoint a member of Key Management Personnel or any Closely Related Party as your proxy to vote on this Resolution 1, *you must direct the proxy how they are to vote*. Where you do not direct the member of Key Management Personnel or Closely Related Party on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

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## 4. Background Information on Acquisition

### 4.1 Background

AXG Mining Limited is a public company listed on the official list of the ASX (ASX Code: AXC) ("**AXG**" or the "**Company**").

The Company currently operates primarily as an exploration company focus on precious metals and base metals in Australia and the Americas.

On 19 September 2011 AXG announced it had signed binding letters of intent with Lara Exploration Ltd. (TSX Venture Symbol: LRA) ("**Lara**") ("**Letters of Intent**") to earn up to a 75% interest in two properties, Condoroma and Coporaque, located in southern Peru ("**Project Interest**").

The Project Interest is held by Halston Exploration Inc. ("**Halston**"), a private corporation that holds the rights to earn up to a 75% interest in the Condoroma and Coporaque properties in Peru.

The Company has entered into a heads of agreement to acquire 100% of the fully paid ordinary shares in the capital of Halston.

The binding Letters of Intent are subject to due diligence (including, but not limited to, confirmation of satisfactory claims registration), regulatory and shareholder approval (at a General Meeting of Shareholders),.

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.

#### 4.2 Overview of the current operations of AXG

The Company currently has an interest in the Mt Ida Project located in Laverton/Leonora region of Western Australia (**Mt Ida Project**). This project consists of exploration licences 29/601 and 29/602 covering the upper reaches of Lake Barlee which hosts several advanced calcrete uranium prospects.

#### 4.3 Overview of Halston

Halston a private corporation incorporated in Canada that holds the rights to earn up to a 75% interest in the *Condoroma* and *Coporaque* properties (together, **the Peruvian Projects**).

The Peruvian Projects 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.

The mining concessions are located along a prominent and highly prospective copper-gold mineralization belt (the Andahuaylas-Yauri mineralization) which has a long history of mining and runs through several large mines and development projects including the Tintaya mine and Las Bambas and Antapaccay development projects owned by Xstrata plc (XTA.L) ; the Constancia project recently acquired by Hudbay Minerals (HBM.T); the Haquira project recently acquired by First Quantum Minerals (FM.T); and the Quechua project owned by Pan Pacific Copper Company (see Figure 1). Peru is widely considered one of the best mining jurisdictions in the world ranking 3rd globally in copper production, 4th in the world in molybdenum production and is Latin America's largest producer of gold. With a strong mining culture and a large pool of experienced workers, Peru is ranked 6th globally and 2nd in Latin America in terms of attracting exploration investment.

A short summary on each of the Peruvian Projects as well as Halston's rights to earn an interest in the Peruvian Projects pursuant to the Letters of Intent is set out below

##### **Condoroma**

The geology of the Condoroma property appears to be consistent with that of other large copper-gold porphyry and skarn systems in Peru. Significant surface mineralization and structural features cross the property and trend towards the Tintaya-Antapaccay deposits to the northwest. Ground geophysics (IP survey) has revealed conductive targets along this trend which AXG intends to drill test in the upcoming exploration campaign.

Under the terms of the Letter of Intent, Halston has entered into a two-stage option agreement whereby it can earn 55% of the rights and interests of the Condoroma property by (i) making staged payments to Lara of an aggregate of US\$800,000 (including an initial cash payment of US\$100,000 upon execution of the option agreement) with such payments satisfied by a mutually agreed upon split of cash and/or fully paid ordinary shares of AXG, and (ii) incurring exploration expenditures of an aggregate of US\$3,500,000 over a 3 year period. Halston can earn an additional 20% of the rights and interests of the Condoroma property (for a total 75% interest) by (i) making a cash payment to Lara of US\$1,000,000 within 60 days of having earned its 55% interest in the property, and (ii) incurring exploration expenditures of an aggregate of US\$7,000,000 over the subsequent 3 year period, and (iii) delivering a Pre-

Feasibility Study (in accordance with NI 43-101 standards) within 4 years of executing the option for an additional 20% interest. The table below details the amounts and timing of cash/fully paid ordinary share payments and exploration expenditure obligations for Condoroma:

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	\$1,000	Minimum 1,500m diamond drilling
ED + 24 months (Yr 2)	\$500	\$1,000	Minimum 2,000m diamond drilling
ED + 36 months (Yr 3)		\$1,500	
<b>By end of yr 3, aggregate payments of \$800k and exploration expenditures of \$3,500k earns a 55% interest</b>			
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
<b>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</b>			
<b>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</b>			

## Coporaque

The Coporaque property has the potential to host large porphyry mineralization consistent with the geology and mineralization of the area. Limited mapping and surface geochemistry has already revealed outcrops of porphyry with gold-copper-molybdenum mineralization. The focus of the exploration campaign will be to identify the size of the porphyry body and to locate additional mineralized bodies.

Under the terms of the Letter of Intent, Halston has entered into a two-stage option agreement whereby it can earn 55% of the rights and interests of the Coporaque property by (i) making staged payments to Lara of an aggregate of US\$650,000 (including an initial cash payment of US\$100,000 upon execution of the option agreement) with such payments satisfied by a mutually agreed upon split of cash and/or fully paid ordinary shares of AXG, and (ii) incurring exploration expenditures of an aggregate of US\$3,000,000 over a 3 year period. Halston can earn an additional 20% of the rights and interests of the Coporaque property (for a total 75% interest) by (i) making a cash payment to Lara of US\$1,000,000 within 60 days of having earned its 55% interest in the property, and (ii) incurring exploration expenditures of an aggregate of US\$7,000,000 over the subsequent 3 year period, and (iii) delivering a Pre-Feasibility Study (in accordance with NI 43-101 standards) within 4 years of executing the option for an additional 20% interest. The table below details the amounts and timing of cash/fully paid ordinary share payments and exploration expenditure obligations for Coporaque:

Date	Payments (US\$ 000s)	Exploration Expenditures	Explanatory Notes
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		(US\$ 000s)	
Execution Date ("ED")	\$100		Cash payment upon signing agreement
ED + 12 months (Yr 1)	\$200	\$500	
ED + 24 months (Yr 2)	\$350	\$1,000	Minimum 1,000m diamond drilling
ED + 36 months (Yr 3)		\$1,500	Minimum 1,500m diamond drilling
<b><i>By end of yr 3, aggregate payments of \$650k and exploration expenditures of \$3,000k earns a 55% interest</i></b>			
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
<b><i>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</i></b>			
<b><i>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</i></b>			

#### 4.4 Material terms of the Acquisition Agreement

The Acquisition Agreement was executed with the Vendors as a term sheet on 16 September 2011.

The material terms of the Acquisition Agreement are as follows:

- (a) **(Conditions Precedent):** settlement of the Acquisition Agreement is conditional upon the the satisfaction (or waiver by AXG) of the following conditions precedent:
- (i) AXG completing its due diligence investigations on Halston and Lara's business and operations including all of Condoroma and Coporaque Mineral Concessions to the absolute discretion of AXG;
  - (ii) AXG obtaining all regulatory approvals to proceed with the Acquisition;
  - (iii) the shareholders of AXG approving the transactions contemplated by the Acquisition Agreement in a general meeting, including a resolution authorising the allotment and issue of the Vendor Securities to the Vendors in accordance with the ASX Listing Rules and the Corporations Act; and
  - (iv) Halston executing a Formal Option and Farm-in Agreement pursuant to and in accordance with the heads of agreement between Halston and Lara dated 19<sup>th</sup> August 2011 (**Option Agreement**),
- (together, **Conditions**).

If the Conditions are not satisfied (or waived) on or before 5 months from the date of execution of the Option Agreement , the agreement constituted by the Acquisition Agreement will be at end and the parties will be released from their obligations under this Acquisition Agreement. The parties will use their best efforts to ensure that the conditions precedent are satisfied.



- (b) **(Consideration):** in consideration for the acquisition of 100% of the issued capital of Halston, the Company will:
- (i) issue 126,000 000 Shares at a deemed issue price of \$0.12 each; and
  - (ii) pay up to US\$150,000 in business development expenditures as a reimbursement ,
- to the Vendors in proportion to their respective holdings of Halston Shares.
- The Shares to be issued to the Vendors are as set out in Schedule 1 of this Notice.
- (c) **(Settlement):** settlement of the Acquisition Agreement will occur five (5) business days after satisfaction or waiver of the Conditions. At settlement of the Acquisition Agreement, the Company will allot and issue the Consideration Securities to the Vendors and deliver to the Vendors holding statements for those Consideration Securities in consideration for the transfer of 100% of the issued capital of Halston.

#### 4.5 Transaction Rationale

The Transaction is complementary to the Company's existing business of acquiring, exploring, developing and producing gold and uranium properties and is consistent with the Company's objectives to consider new investment opportunities to improve shareholder value. The rationale for this transaction includes:

- the Peruvian Projects are close to and along the same geological structure as large mines and development projects, including Xstrata's Tintaya mine and the Las Bambas and Antapaccay development projects;
- both the Peruvian Projects are drill ready with strong exploration targets;
- the Peruvian Projects are close to existing infrastructure providing a low cost of exploration;
- the Peruvian Projects are only 75 kilometres apart and straddle major mines and development projects; and
- experienced management and technical team dedicated to development of the Peruvian Projects.

Following the Transaction, the Company will continue to be in the business of exploring, developing and producing gold and uranium properties through its existing projects, new exploration opportunities and the Condoroma and Coporaque projects to be acquired pursuant to the Transaction.

The Company still currently intends to progress development of its existing projects (set out above) utilising its current funds and those raised pursuant to the Capital Raising.

#### 4.6 Capital Raising

AXG contemplates raising capital in order to fund its exploration program, the Acquisition and for general corporate working capital and administration purposes.

The Company proposes to undertake an initial placement of up to 130,000,000 Shares each at an issue price which is not less than the lower of 1 cent and the volume weighted average market price of Shares over the last five days on which sales in the Shares were recorded before the date of the Meeting and on the terms and conditions in the Explanatory Memorandum. The Company will apply for quotation of the Capital Raising shares on the ASX.

The Company has engaged the services of GBU Securities Pty Ltd ACN 137 165 925 (**GBU**), a licensed securities dealer (AFSL 343514), to manage the Placement. The Company will pay GBU a fee of 1% (exclusive of goods and services tax) on the amount raised under the Placement. GBU is associated with Gordon Sklenka and Alex Bajada, Directors of the Company. However, the independent director of the Company, Mr Roland Berzins considers the engagement to be on arm's length terms as the fee charged is less than fees charged by unrelated licensed securities dealers.

Further details regarding the Capital Raising are set out below at section 7 of this Explanatory Memorandum.

#### **4.7 Impact of the Capital Raising, Ratification and Acquisition on the Company's capital structure**

At the date of this Notice, there are currently 219,500,000 Shares on issue. Assuming Resolutions 2, 3, and 4 are passed, the pro forma capital structure of the Company, upon completion of the Acquisition and Capital Raising (including the Shares referred to in Resolution 9) is as follows:

<b>Shares</b>	<b>Number</b>
Current Shares on issue	219,500,000
Shares to be issued pursuant to the Acquisition Agreement (Resolution 3)	126,000,000
Shares to be issued pursuant to the Capital Raising (Resolution 4)	130,000,000
Shares issued by way of a placement to investors falling within one or more of the classes of exemptions specified in Section 708 of the Corporations Act (Resolution 9)	32,925,000
<b>Total</b>	<b>508,425,000</b>

#### **4.8 Use of funds and budget**

The Company's has current cash reserves of \$80,000 as at the date of this Notice.

The Company intends to apply funds raised pursuant to the Capital Raising (assuming a Capital Raising of up to A\$1,300,000) and the placement of Shares referred to in Resolution 9 (\$329,250)) as follows:



Use	Year 1 Amount (A\$'000)	Year 2 Amount (A\$'000)	Year 3 Amount (A\$'000)
Acquisition of Halston <sup>1</sup>	150	0	0
Payments in accordance with the Letters of Intent and Acquisition Agreement	600	850	0
Exploration and evaluation expenditure on the Peruvian Projects to fund farm-in in accordance with the Letters of Intent and Acquisition Agreement	1,500	2,000	3,000
Exploration expenditure of the Mt Ida Project	130		
Working capital and administration expenses	65	65	65
<b>Total <sup>2, 3</sup></b>	<b>2,445</b>	<b>2,915</b>	<b>3,065</b>

**Notes:**

1. This amount is a reimbursement for actual costs incurred in developing the Properties by Halston.

2. It should be noted that the allocation of funds will be subject to modification based on the outcome and success of the exploration programmes.

3. Not including the Company's existing cash reserves.

The Company notes that the above use of funds/budget table assumes that the Company will raise additional funds to meet its future obligations. The Company will determine at the relevant time the amount to be raised and how such funds will be raised. Details of each capital raising will be released to the market at the appropriate time and shareholder approval will be sought for each capital raising, as required.

## 4.9 Risk factors

Shareholders should be aware that the Company will be subject to a number of risks if the Acquisition Agreement is completed.

If the Acquisition Agreement is completed, some of the material risk factors include:

- (a) **(exploration and development)**: by its nature, the exploration and development of a resource project is a high risk undertaking with no assurance of the economic exploitation of mineral resources;
- (b) **(resource exploration)**: resource estimations are expressions of judgment which are imprecise;
- (c) **(commodity price volatility)**: an adverse fall in the prices of commodities including gold or copper may adversely affect the development of the Peruvian Projects;
- (d) **(operating risks in Peru)**: changes to Peru's minerals exploration and development or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability;
- (e) **(environmental risks)**: the Company will be subject to environmental laws and regulations in connection with operations it may pursue in the mining industry, which operations are currently in Peru. Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities;

- (f) **(general economic and political risks)**: changes in the general economic and political climate in Peru, Australia and on a global basis could impact on economic growth, minerals prices, interest rate and the taxation and tariff laws which may affect the value and viability of any mineral mining activity that may be conducted by the Company; and
- (g) **(funding)**: the successful realisation of the Company's plans will be dependent upon obtaining financing for any additional projects that the Company may wish to invest in.

#### **4.10 Directors' Recommendations**

The Directors consider that the Acquisition represents an opportunity for the Company to acquire the prospective gold, copper and associated minerals Peruvian Projects offering Shareholders exposure to the potential of Halston's gold mining and exploration assets.

The Peruvian Projects are situated in an area which hosts existing large mines and development projects such as Xstrata's Tintaya mine and the Las Bambas and Antapaccay development projects; HudBay's recently acquired Constancia project; First Quantum's recently acquired Haquira project; and, PanPacific's Quechua project.

Both the Peruvian Projects are drill ready with strong exploration targets and are close to existing infrastructure providing a low cost of exploration.

For the above reasons, the Directors of the Company consider that the transactions the subject of the Resolutions are in the best interests of the Company and recommend that Shareholders vote in favour of all Resolutions. The current Directors have agreed to put the Resolutions to Shareholders and have approved the information contained in this Explanatory Memorandum.

Each of the current Directors intends to vote their Shares in favour of each of the Resolutions.

#### **4.11 Conditionality of Resolutions**

Resolution 2 is conditional upon Resolutions 3 and 4 being passed, so that it will not have effect unless and until Resolutions 3 and 4 are passed.

Resolution 3 is conditional upon Resolutions 2 and 4 being passed, so that it will not have effect unless and until Resolution 2 and 4 are passed.

Resolution 4 is conditional upon Resolutions 2 and 3 being passed, so that it will not have effect unless and until Resolution 2 and 3 are passed.

#### **4.12 Future of the Company if Resolutions 2 to 4 are not passed**

If Resolutions 2 to 4 are not passed and the Acquisition Agreement is not completed, the Company will continue to focus on:

- (a) its current ventures; and
- (b) seek alternative, suitable projects for investment.

#### **4.13 Forward looking statements**

The forward looking statements in this Notice of Meeting are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Directors that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Notice of Meeting. These risks include but are not limited to, the risks outlined in section 4.9 of this Notice of Meeting. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

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### **5. Resolution 2 – Approval for change in scale of activities**

#### **5.1 General**

Resolution 2 seeks approval from Shareholders for a change in the scale of the activities of the Company following the Acquisition and the associated Capital Raising. ASX has notified the Company that it requires approval pursuant to ASX Listing Rule 11.1.2.

#### **5.2 ASX Listing Rule 11.1**

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the Company were applying for admission to the official list of ASX

ASX has indicated to the Company that, given the significant change in the scale of the activities of the Company upon completion of the Acquisition, it requires the Company to obtain the approval of its Shareholders for the proposed change of the scale of its activities.

For this reason, the Company is seeking Shareholder approval for the Company to change the scale of its activities under ASX Listing Rule 11.1.

#### **5.3 Interests and recommendations of Directors**

The existing Directors do not have an interest in Resolution 2. For the reasons outlined in Section 4.5 and 4.10 above, the Directors therefore recommend that Shareholders vote in favour of Resolution 2.

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## **6. Resolution 3 – Approve issue of Vendor Securities**

### **6.1 General**

As outlined above the Company has entered into an agreement to acquire all the issued capital of Halston from the shareholders of Halston. A summary of the Acquisition Agreement is contained in section 4.4 of this Explanatory Memorandum.

Resolution 3 seeks Shareholder approval for the authority to issue to the Vendors (or their nominees) the Vendor Securities on the terms and conditions in the Explanatory Memorandum.

### **6.2 Listing Rule 7.1 – Shareholder Approval**

Listing Rule 7.1 requires Shareholder approval for the issue of the Vendor Securities. Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

The issue of the Vendor Securities represents more than 15% of the Company's securities on issue for the purposes of Listing Rule 7.1. The Company is seeking Shareholder approval of the issue of the Vendor Securities so that the Company does not exceed its 15% capacity under Listing Rule 7.1. Accordingly, Shareholder approval is sought in accordance with Listing Rule 7.3.

### **6.3 Technical information required by Listing Rule 7.3**

For the purposes of the Shareholder approval of the issue of securities under the Acquisition Agreement and the requirements of Listing Rule 7.3, the following information is provided in relation to Resolution 3:

- (a) the maximum number of Shares to be issued to the Vendors is 126,000,000 Shares;
- (b) in accordance with the terms of the Acquisition Agreement it is intended that the Company will issue the Consideration Securities no later than 3 months after the date of the General Meeting (or such longer period of time as permitted by an ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Vendor Securities issued will be fully paid ordinary shares in the capital of the Company on the same terms as the Company's existing Shares on issue;
- (d) the Vendor Securities will be issued in consideration of the acquisition by the Company of all of the issued capital of Halston. The deemed issue price for the Vendor Securities will be \$0.012 (1.2 cents) for each Vendor Share;
- (e) no funds will be raised from the issue of the Vendor Securities; and
- (f) the Vendor Securities will be issued to the Vendors (or their nominees) as set out in Schedule 1.

### **6.4 Interests and recommendations of Directors**

The existing Directors do not have an interest in Resolution 3. For the reasons outlined in Section 4.5 and 4.10 above, the Directors therefore recommend that Shareholders vote in favour of Resolution 3.

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## 7. Resolution 4 – Capital Raising

### 7.1 General

Resolution 4 seeks Shareholder approval for the issue of up to 130,000,000 Shares at an issue price which is not less than the lower of 1 cent; and the volume weighted average market price for the five days on which sales of Shares were recorded which precede the date on which the issue of the Shares before the date of the General Meeting and on the terms and conditions in the Explanatory Memorandum. The terms of the Capital Raising are yet to be finalised. The lead manager for the Capital Raising is GBU Securities Pty Ltd. The Company will apply for official quotation of the Capital Raising shares on the ASX in accordance with the Listing Rules.

### 7.2 Listing Rule 7.1 – Shareholder Approval

Listing Rule 7.1 requires Shareholder approval for the Capital Raising. A summary of ASX Listing Rule 7.1 is set out in Section 6.2 above.

Pursuant to Resolution 3, Shares will be issued to non-related parties as part of the Capital Raising and for this reason, approval for the issue of Shares to non-related parties is required pursuant to ASX Listing Rule 7.1.

The Capital Raising represents more than 15% of the Company's securities on issue for the purposes of Listing Rule 7.1. The Company is seeking Shareholder approval of the Capital Raising so that the Company does not exceed its 15% capacity under Listing Rule 7.1. Accordingly, Shareholder approval is sought in accordance with Listing Rule 7.3.

The minimum price at which Shares may be issued under Resolution 4 is not less than the lower of:

- (a) 1 cent; and
- (b) the volume weighted average market price for the five days on which sales of Shares were recorded which precede the date on which the issue of the Shares is made.

Examples of the effect of the amount raised pursuant to the Capital Raising at various issue prices are outlined below.

Issue price	No. of Shares to be issued	Amount raised
0.005	130,000,000	650,000.00
0.008	130,000,000	1,040,000.00
0.01	130,000,000	1,300,000.00
0.012	130,000,000	1,560,000.00
0.013 <sup>1</sup>	130,000,000	1,690,000.00

Notes:

<sup>1.</sup> The AXG share price at close of trade on Friday 7<sup>th</sup> October, 2011 was 0.013 October 2011.

### **7.3 Technical information required by Listing Rule 7.3**

For the purposes of the Shareholder approval of the issue of securities under the Capital Raising and the requirements of Listing Rule 7.3, information is provided as follows:

- (a) the maximum number of Shares to be issued pursuant to Resolution 4 is 130,000,000 Shares;
- (b) the Shares issued pursuant to Resolution 4 will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date.
- (c) the Shares will each have an issue price of not less than the lower of 1 cent; and the volume weighted average market price for the five days on which sales of Shares were recorded which precede the date on which the issue of the Shares before the date of the General Meeting;
- (d) the Shares will be issued under a prospectus to the general public and to sophisticated investor clients of various brokers. These parties will not be related parties of the Company;
- (e) the Shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue; and
- (f) the Company intends to use the funds raised from the Capital Raising to first, to meet the expenses of undertaking the Acquisition, second to fund ongoing payments and exploration commitments, and thirdly for working capital purposes.

### **7.4 Interests and recommendations of Directors**

The existing Directors do not have an interest in Resolution 4. For the reasons outlined in Section 4.5 and 4.10 above, the Directors therefore recommend that Shareholders vote in favour of Resolution 4.

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## **8. Resolutions 5 – Re-election of Mr Alex Bajada**

In accordance with Listing Rule 14.4 and clause 11.3 and 11.4 of the Constitution, at every Annual General Meeting, one third of the Directors (excluding the Managing Director) for the time being must retire from office and are eligible for re-election. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement.

The Company currently has 2 Directors and accordingly 1 must retire. The Directors have been in office for an equal length of time (both being re-elected on 30/11/2009 at the Company's 2009 annual general meeting). Accordingly, it was agreed that Mr Bajada stands for re-election. Rule 11.4 provides that a Director who retires under rule 11.3 is eligible for re-election. Mr Bajada will therefore retire by rotation at the forthcoming Meeting, and being eligible, offers himself for re-election at the Meeting.

A brief resume of Mr Bajada is contained in the Annual Report.

The Board believes that Mr Bajada has performed the duties and responsibilities of a Director diligently and professionally, in the best interests of all Shareholders.

The Board unanimously supports the re-election of Mr Bajada.

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## **9. Resolution 6 and 7 – Removal and Appointment of Auditor**

Under Section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution at a general meeting of which 2 months notice of intention to move the resolution has been given.

It should be noted that under this section, if a company calls a meeting after the notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention is given.

Resolution 6 is an ordinary resolution seeking the removal of Crowe Horwarth as the auditor of the Company. An auditor may be removed in a general meeting provided that the notice of intention to remove the auditor has been received from a member of the company.

In accordance with Section 329(2) of the Corporations Act, the Company has sent a copy of the notice to Crowe Horwarth and ASIC.

Under Section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under Section 329 of the Corporations Act.

Resolution 7 is a special resolution seeking the appointment of Somes and Cooke as the new auditor of the Company. As required by the Corporations Act, a nomination for Somes and Cooke to be appointed as the auditor of the Company has been received from a member. A copy of the nomination of Somes and Cooke as auditors is set out at Attachment A. Somes and Cooke has given written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act.

If Resolutions 6 and 7 are passed, the appointment of Somes and Cooke as the Company's auditor will take effect at the close of this Annual General Meeting. Resolution 7 is subject to the passing of Resolution 6.

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## **10. Resolution 8 – ratification of prior issue – Shares**

### **10.1 General**

The Company intends to issue before the date of the Meeting 32,925,000 Shares at an issue price of 1 cent per Share to raise \$329,250.

Resolution 8 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

A summary of ASX Listing Rule 7.1 is set out in Section 6.2 above.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made



pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Section 4.7 sets out the impact of this issue of the Shares the subject of Resolution 8 on the capital structure of the Company.

## **10.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 32,925,000 Shares will be allotted;
- (b) the issue price is proposed to be 1 cent per Share;
- (c) the Shares intended to be issued will be all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares will be allotted and issued by way of a placement to investors falling within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. None of the subscribers will be related parties of the Company and no subscriber will hold an interest of 20% or greater in the capital of the Company as a result of the issue of the Shares; and
- (e) the Company intends to use the funds raised from this capital raising first, to meet the expenses of undertaking the Acquisition, second to fund ongoing payments and exploration commitments, and thirdly for working capital purposes.

## **10.3 Interests and Recommendations of Directors**

None of the Directors have an interest in the outcome of Resolution 9. Each of the Directors approved the proposal to put the Resolution to Shareholders and each of the Directors recommends that Shareholders vote in favour of the Resolution.

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# **11. ENQUIRIES**

Shareholders are requested to contact Company Secretary on (08) 9429 2900 if they have any queries in respect of the matters set out in these documents.



## Definitions

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In this Notice:

**\$** means Australian dollars.

**Acquisition** means the acquisition by the Company of all of the issued capital of Halston in accordance with the terms of the Acquisition Agreement.

**Acquisition Agreement** means the terms sheet dated 16 September 2011 between the Company and the Vendors.

**Annual Report** means the 2011 Annual Report of the Company and its controlled entities (if any) a copy of which was lodged with the ASX.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited and where the context permits the Australian Securities Exchange operated by ASX Limited.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the Company's current board of Directors.

**Business Day** means as defined in the Listing Rules.

**Capital Raising** means the proposed issue of Shares referred to in Resolution 3.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

**Company** or **AXG** means AXG Mining Limited ACN 092 304 964.

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company and Directors means all of them.

**Explanatory Memorandum** means this explanatory memorandum accompanying the Notice..

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities (if any).

**Meeting** or **General Meeting** has the meaning given in the introductory paragraph of the Notice.

**Halston** means Halston Resources Inc a company incorporated in Canada with company number 1855134.

**Halston Share** means an ordinary fully paid shares in the issued capital of Halston.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Lara** means Lara Exploration Ltd. (TSX Venture Symbol: LRA ).

**Letters of Intent** means binding letters of intent between the Company and Lara signed on or about 19 September 2011 to earn up to a 75% interest in two properties, Condoroma and Coporaque, located in southern Peru.

**Listing Rules** means the listing rules of ASX.

**Notice** or **Notice of Meeting** or **Notice of Annual General Meeting** means the Notice of Annual General Meeting to which the Explanatory Memorandum is attached.

**Peruvian Projects** means the mining concessions comprising the Condoroma and Coporaque properties, located in southern Peru.

**Project Interest** means the right to earn up to a 75% interest in the Peruvian Projects.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2011.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Somes and Cooke** means Somes and Cooke Auditors and Accountants

**Vendors** mean the holds of the issued share capital in Halston being those entities listed in section 4.4 of this Notice.

**Vendor Securities** means the Shares to be issued to the Vendors as referred to in Resolution 2.

**WST** means Western Standard Time as observed in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

## SCHEDULE 1 – VENDORS AND VENDOR SECURITIES

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Vendors	Vendor Securities
Deal Partners Limited	18,000,000
Arena Advisors Canada Inc.	18,000,000
Empire Pty Ltd	18,000,000
Billy D. Dobbs Jr. Family Trust	18,000,000
Brutal Limited	18,000,000
Dalefield International Limited	18,000,000
Marsh Mining Projects Development Pty Ltd	9,000,000
J K Neiminen Consulting Inc.	9,000,000
	<b>126,000,000</b>

## **ATTACHMENT A – NOMINATION OF AUDITOR LETTER**

4 October 2011

The Directors  
AXG Mining Ltd  
Suite 2  
16 Ord St  
West Perth WA 6005

Dear Sirs

Re: Nomination of auditor – AXG Mining Ltd

We, Roland Holger Berzins and Carol Maree Berzins, being shareholders of AXG Mining Ltd (the Company) nominate Somes and Cooke Auditors and Accountants for appointment as auditors of the Company at the forthcoming Annual general meeting.

Regards

Roland H Berzins

Carol Maree Berzins

AXG MINING LIMITED  
ACN 092 304 964

**PROXY FORM**  
**ANNUAL GENERAL MEETING**

The Company Secretary  
AXG Mining Limited

**By delivery:**  
AXG Mining Limited  
Suite 2, 16 Ord Street  
WEST PERTH WA 6005

**By post:**  
AXG Mining Limited  
PO Box 1779  
WEST PERTH WA 6872

**By facsimile:**  
08 9486 1011

I/We \_\_\_\_\_

of \_\_\_\_\_

being a Shareholder/Shareholders of the Company and entitled to \_\_\_\_\_

votes in the Company, hereby appoint \_\_\_\_\_

OR ☐ the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting of the Company to be held at Suite 2, 16 Ord St West Perth, Perth, WA on 16<sup>th</sup> November 2011 at 10:15 AM (WST). If 2 proxies are appointed, the proportion or number of votes of this proxy is authorised to exercise is \* [ ] % of the Shareholder's votes\*/ [ ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

**Comment**

"Important for Resolution 1: If the Chair of the Meeting or any member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or a Closely Related Party of that member is your proxy and you have not directed the proxy to vote on Resolution 1, the proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or Closely Related Party of that member is your proxy, in order for your votes to be counted on Resolution 1, you must direct your proxy how to vote on Resolution 1.

☐ If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 2 to 9** please place a mark in this box. If no directions are given, the Chair will vote in favour of all the Resolutions in which the Chair is entitled to vote undirected proxies.

**OR**

**Voting on Business of the Annual General Meeting**

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Change to scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approve issue of Vendor Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approve Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Re-election of Mr Alex Bajada as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Removal of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Ratification of prior issue – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_%

**Authorised signature/s** This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_\_  
Date

<sup>1</sup> Insert name and address of Shareholder

<sup>2</sup> Insert name and address of proxy

\*Omit if not applicable

### Instructions for Completing 'Proxy' Form

A Shareholder entitled to attend and vote at the General Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting. If the Shareholder is entitled to cast 2 or more votes at the General Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting, the representative of the body corporate to attend the General Meeting must produce the 'Certificate of Appointment of Representative' prior to admission. A form of the certificate may be obtained from the Company's share registry.

A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.

You must sign this form as follows in the spaces provided:

- |                    |  |
|--------------------|--|
| Individual:        | Where the holding is in one name, the member must  |
| Joint Holding:     | Where the holding is in more than one name all of the holders must sign.   |
| Power of Attorney: | if signed under a power of attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the power of attorney to this Proxy Form when you return it.             |
| Companies:         | a director can sign jointly with another director or a company secretary. A sole director who is also a sole company secretary can also sign. Please indicate the office held by signing in the appropriate space. |

If a representative of the corporation is to attend the General Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Company's share registry (Suite 2, 16 Ord Street, West Perth, WA 6005 or Facsimile number 9486 1011 if faxed within Australia or +61 8 9486 1011 if faxed from outside Australia) not later than 48 hours prior to the time of commencement of the General Meeting being 10:15AM (WST) on 16<sup>th</sup> November 2011.

**Proxy forms received later than this time will be invalid.**

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