



19 October 2004

Dear Shareholder

NON-RENOUNCEABLE ISSUE OF OPTIONS TO SHAREHOLDERS

AXG Mining Limited was first quoted on ASX on 15 September 2004, following the successful raising of \$2,500,000. The ASX code is AXC.

The first drilling program for gold at our Murchison Project started on 29 September 2004 and we are pleased to enclose our recent release to the ASX on the progress of this program.

As indicated in the listing Prospectus and subsequently announced to ASX, all shareholders are now being offered the opportunity to participate in a pro rata issue of options at 1 cent each. Those who are shareholders on the Record Date of 29 October 2004 will be entitled to subscribe for one option for each share held. These options will be quoted on ASX and are exercisable at 20 cents each on or before 31 August 2010.

You will be sent a new Prospectus for the option issue with a personalised Entitlement and Acceptance Form showing the number of options to which you are entitled. You may take up all of your entitlement, some lesser number, or none. The issue is non-renounceable which means that all options not taken up by shareholders will revert to the underwriter, namely WRF Securities Limited.

The option Prospectus has been lodged with ASIC and ASX and is currently available the ASX's website at www.asx.com.au and on the Company's website at www.axgmining.com.au.

THE IMPORTANT DATES FOR THE OPTION ISSUE ARE:

DATE	ACTION
29 October 2004	Record Date to determine entitlements for shareholders to the options.
1 November 2004	Expected dispatch date of the Prospectus to shareholders with their Entitlement and Acceptance Forms
18 November 2004	Closing Date. The option issue closes on this date and all completed Entitlement and Acceptance Forms and payments need to reach the Share Registry by 5.00pm WST on this date.
19 November 2004	Options are quoted on ASX on a deferred basis

We look forward to your participation in the option issue and thank you for your support of the Company to date.

A handwritten signature in black ink, appearing to read 'Peter Jermyn', enclosed within a large, loopy oval scribble.

Peter Jermyn
Chairman

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