AXG MINING LIMITED

A.C.N. 092 304 964

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2004

AXG MINING LIMITED

ABN 93 092 304 964

CONTENTS

AXG MINING LIMITED

DIRECTORS' REPORT

Your directors present their report together with the financial report of AXG Mining Limited ("the Company") for the financial year ended 30 June 2004.

Directors

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

Peter Geoffrey Jermyn (appointed 29 January 2004)
Charles Phillip Mostert (appointed 29 January 2004)
Robert Charles Nichevich
Ian Rutherford Plimer (resigned 27 February 2004)
James Arthur Wall (resigned 29 January 2004)

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

Principal Activities

The Company's principal activity is as an exploration company.

Results of Operations

The net profit of the Company after income tax for the financial year amounted to $417,423 (2003: loss of $790,750).

Dividends

No dividends were paid or declared during the financial year.

Review of Operations

AXG's exploration portfolio comprises three projects, namely the Murchison Project and the West Musgrave Project in Western Australia and the Boston Project in the Philippines.

Murchison Project, Western Australia

The Murchison Project is located approximately 650km north northeast of Perth and about 80km northwest of Mt Magnet in the Murchison Province of Western Australia.

The project is separated into two tenement groups, the Western Queen (including Western Queen South) and Dalgaranga. The two Western Queen and Western Queen South mining leases and the Dalgaranga tenements form the Dalgaranga Gold Mines Joint Venture (DGMJV) between AXG and Equigold NL. AXG has a 49.9% interest in the DGMJV and Equigold has 50.1% and is the manager. In 2002, the DGMJV was varied so that AXG has the right to earn up to a 70% interest in the two Western Queen and Western Queen South mining leases by spending $1 million (or to 80% by spending another $0.5 million). The expiry date of this right was extended during the year to 17 July 2005.

Western Queen

AXG has a large holding of 100% owned tenements surrounding the Western Queen and Western Queen South leases which together cover about 70% of the 4km x 40km Warda Warra Greenstone Belt. The Warda Warra Greenstone Belt has been largely unexplored away from the Western Queen and Western Queen South deposits, as 50% is under transported cover and much of the belt has a strongly leached regolith surface profile.

During the year, consulting geologists Geoinformatics Exploration Australia Pty Ltd completed a rigorous validation, integration and recoding program of the existing drill hole and geochemical database from the Western Queen and Western Queen South. The gold deposits at Western Queen and Western Queen South remain open at depth, down plunge and down dip and Geoinformatics concluded that there is potential to substantially increase the 130,000 ounce resource that has already been delineated. Geoinformatics also interpreted the low level geophysical data which led to outlining a number of new targets within AXG's tenements in the Warda Warra Greenstone Belt.

AXG's exploration focus next year after the listing will be to test the high priority targets generated by Geoinformatics.

Dalgaranga

AXG holds a 49.9% interest in the Dalgaranga tenements which form part of the DGMJV. Exploration is managed by Equigold whose interest is 50.1%. Gilbeys contains total gold deposits of 381,000 ounces at 1.58g/t gold within the Dalgaranga tenements. This resource is considered uneconomic at the current gold price and as result no work was undertaken during the year.

West Musgrave Project, Western Australia

The West Musgrave Project tenements are centred about 120km northeast of Warburton in the eastern desert region of Western Australia. They cover about 40km strike length along the northern flank of the Jameson Range Intrusion in the West Musgrave Block. The intrusion is a large layered mafic-ultramafic differentiated body with thick titaniferous and vanadiferous horizons which are anomalous in PGE, nickel, copper and cobalt, analogous to the Bushveldt Complex in South Africa.

WMC Resources Ltd ('WMCR') has spent over $1.6 million on exploration so far by undertaking surface geochemistry, magnetics, RC and diamond drilling. This work has outlined areas with anomalous PGEs of possible economic significance, with a 6m intercept grading 0.60g/t Pt+Pd+Au.

During the year WMCR undertook field checking of the platinum anomalous zones, integration, interpretation and assessment of exploration data. In addition, WMCR has given notice that it will withdraw from the West Musgrave Joint Venture effective 29 November 2004 at which time the tenements will revert 100% to AXG. On receipt of all project data from WMCR, the Company will undertake an assessment of the results to determine the next phase of exploration.

Boston Project, Philippines

The Boston Project comprises three exploration tenement applications, which cover approximately 16,000 hectares in the Philippines. The tenements are bounded on the southwest by the Diwalwal gold rush area and are located 120 kilometres north east of Davao on the island of Mindanao. AXG hold a 28% indirect interest in the Boston Gold Joint Venture, Philippines investors hold a 42% indirect interest and the Boston Tribal Multi-Purpose Cooperative retains a 30% direct interest.

The Boston Project is a most attractive exploration area of a typical gold-mineralised epithermal system at the margin of a porphyry copper system. Early reconnaissance exploration at Boston has been extremely encouraging with high priority areas 5M, Beyangod Creek, Cababarunum Creek, Cabarobowanan Creek, Bidlo Creek and Dalikan containing mineralized epithermal vein systems in altered, dilated and fractured sequences.

During the year efforts were made to progress the granting of the three exploration tenement applications.

Significant Changes In State Of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial period under review not otherwise disclosed in this report or the financial statements.

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 Company, the results of those operations or the state of affairs of the Company in subsequent financial years, other than on 15 September 2004, the Company was admitted to the official list of the Australian Stock Exchange Limited following the raising of $2.5 million through the issue of 12,500,000 shares at 20 cents per share.

Likely Developments

There are no likely developments of which the Directors are aware, which could be expected to affect the result of the Company's operations in subsequent years.

Environmental Issues

The Company's operations are subject to significant environmental regulation under the law of the Commonwealth, State and Local Authorities. Details of the Company's exposure in relation to environmental regulation is as follows:

Exploration activities are subject to significant environmental regulation under the Western Australia Mining Act 1978 and Environmental Protection Act 1986. These regulations affect amongst other issues, waste disposal, water and air pollution.

There have been no instances of material non-compliance with the regulation governing the exploration activities during the financial year.

Information on Directors

P G Jermyn	-	Chairman, appointed 29 January 2004
Qualifications	-	-
Experience	-	Mr Jermyn has over 25 years experience in the minerals industry. After attending university under a scholarship to the Western Australian Department of Mines, he spent 10 years as an exploration consultant before becoming actively involved in the formation, financing and development of listed resource companies. He has had an extensive and successful involvement in the exploration for and the development of minerals and oil projects in Australia, Africa, North and South America, Indonesia, the Middle East and Russia. He has served at the executive level on the boards of companies listed on stock exchanges in Australia, New Zealand, the UK, Canada and the United States. Mr Jermyn brings the to Company considerable knowledge and expertise in the corporate and financial management, capital raising and promotional arenas of public companies, in addition to his background and experience in the exploration and mining of resource commodities. Mr Jermyn is also a director of Optum Health Limited.
C P Mostert	-	Director, appointed 29 January 2004
Qualifications	-	Bcom (Hons), MBA, Certificate in Mining Taxation
Experience	-	Mr Mostert has over 23 years experience in the mining industry, including 18 years with Anglo American Corporation (Gold Division) and three years with Gold Fields of South Africa. In 1997, Mr Mostert joined Durban Roodeport Deep Ltd as financial director and was co-responsible for its enormous growth. Mr Mostert has been a director of 28 companies and has held the chairmanship of two ASX Listed companies, Hargraves Resources NL and Dome Resources NL. In June 2001, Mr Mostert was appointed Chief Executive Officer of Majestic Resources NL and joined its board on July 2001. He has been responsible for the transformation of Majestic Resources NL into Crown Diamonds NL.

Information on Directors (Cont'd)

R C Nichevich	-	Director
Qualifications	-	FCA, FAICD
Experience	-	Mr Nichevich has extensive management and financial experience. Since 1992 he has been Managing Director WRF Securities Limited. During 1993, WRF Securities Limited acquired an interest in the Dalgaranga and after exploration success Mr Nichevich has been responsible for WRF Securities Limited making the transition from explorer to gold producer during the 1996/97 financial year. During 1998 he was involved in the acquisition of the Western Queen gold mine near Dalgaranga from WMC Resources Limited. During 2000, Mr Nichevich was involved in WRF Securities Limited successfully diversifying into funds management. He is also a director of Australian Technologies Securities Limited.
J A Wall	-	Director, resigned 29 January 2004
Qualifications	-	BE (Civil), FAUsIMM
Experience	-	Mr Wall has had over 30 years experience in the mining industry. He is a non-executive director of WRF Securities Limited, executive chairman of CBH Resources Limited and BMA Gold Limited and non-executive chairman of Emperor Mines Limited.
I R Plimer	-	Director, resigned 27 February 2004
Qualifications	-	FTSE, FGS, BSc (Hons), PhD
Experience	-	Mr Plimer is Professor of Geology at the University of Melbourne and a Director of Consolidated Broken Hill Ltd. He has consulted widely to mining and exploration companies and governments in Australasia, Africa, Europe and the Americas.

Meetings of Directors

During the financial year four meetings of directors were held. Attendances were:

Directors	Number eligible to attend	Number attended
P G Jermyn	3	3
C P Mostert	3	3
R C Nichevich	4	4
I R Plimer	1	-
J A Wall	1	1

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnifying Officers Or Auditor

During or since the end of the financial year the Company has not given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in respect of a contract insuring persons who are or have been a director or secretary of the Company or any other person who is concerned, or takes part, in the management of the Company in defending civil proceedings that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

It is the intention of the Company pay premiums in respect of a contract insuring persons who are or have been a director or secretary of the Company, including persons who are concerned, or take part, in the management of the Company. It is also the intention of the Company to indemnify all directors and officers against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position except where the liability arises out of conduct involving a lack of good faith.

Proceedings on Behalf of the Company

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

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

Signed in accordance with a resolution of the Board of Directors.

R NICHEVICH
DIRECTOR
Dated this day of October 2004
Perth, Western Australia

AXG MINING LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 $	2003 $
Other revenues from ordinary activities	2	946,803	-
Exploration expenditure written off	3	(146,895)	(577,307)
Other expenses	3	(469,906)	(213,443)
Profit/(loss) from ordinary activities before income tax expense		330,002	(790,750)
Income tax benefit relating to ordinary activities	4	87,421	-
Net profit/(loss) attributable to members of the Company		417,423	(790,750)

The accompanying notes form part of these financial statements

AXG MINING LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	2004 $	2003 $
CURRENT ASSETS			
Cash assets	6	14,641	5,436
Receivables	7	112,750	-
Other financial assets	8	448,577	-
Other	9	115,249	-
TOTAL CURRENT ASSETS		691,217	5,436
NON CURRENT ASSETS			
Property, plant and equipment	11	2,816	-
Exploration and evaluation expenditure	12	2,000,000	2,000,000
TOTAL NON CURRENT ASSETS		2,002,816	2,000,000
TOTAL ASSETS		2,694,033	2,005,436
CURRENT LIABILITIES			
Payables	13	705,862	140,315
Provisions	14	18,107	-
TOTAL CURRENT LIABILITIES		723,969	140,315
NON CURRENT LIABILITIES			
Payables	13	-	655,871
TOTAL NON CURRENT LIABILITIES		-	655,871
TOTAL LIABILITIES		723,969	796,186
NET ASSETS		1,970,064	1,209,250
EQUITY			
Contributed equity	15	2,343,391	3,000,001
Accumulated losses	16	(373,327)	(1,790,751)
TOTAL EQUITY		1,970,064	1,209,250

The accompanying notes form part of these financial statements

AXG MINING LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004	2003
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Share of joint venture cash		8,342	-
Payments to suppliers and employees		(224,395)	-
Interest received		5,148	-
Net cash used in operating activities	19(b)	(210,905)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		245,498	-
Repayment of loan with parent company		(43,909)	-
Proceeds from loan with parent company		18,521	5,436
Net cash provided by financing activities		220,110	5,436
Net increase/(decrease) in cash held		9,205	5,436
Cash at the beginning of the financial year		5436	-
Cash at the end of the financial year	6	14,641	5,436

The accompanying notes form part of these financial statements

AXG MINING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

AXG Mining Limited was an unlisted public company, incorporated and domiciled in Australia up to 15 September 2004. From this date, AXG Mining Limited is a listed public company, incorporated and domiciled in Australia (refer to note 24).

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

a) Income Tax

The Company was part of a tax consolidated group for the period 1 July 2003 to 31 December 2003 and entered into a tax funding agreement whereby the Company contributed to the head entity an amount calculated as if it were taxed on a stand-alone basis.

As a consequence of using the stand-alone basis, timing differences arose due to items being brought to account in different periods for tax funding and accounting purposes. These are carried in the Statement of Financial Position as tax funding assets and liabilities that are expected affect future payments to the head entity under the tax funding agreement.

Tax funding assets are not brought to account unless realization of the asset is assured beyond reasonable doubt. Tax funding assets referable to tax losses are only carried forward when realization of the benefits is virtually certain.

Revenues and expenses arising under the tax funding agreement are disclosed as income tax expense in the Statement of Financial Performance. Income tax expense is calculated on the accounting profit after allowing for permanent differences.

From 1 January 2004, the Company has adopted the income liability method of tax effect accounting.

From 1 January 2004, income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realization of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

b) Comparatives

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

c) Plant & Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

Plant and equipment is depreciated on a straight-line basis over its useful life to the Company commencing from the time the asset is held ready for use. The depreciation rates used for plant and equipment generally range between 10% and 40%.

The carrying amount of plant and equipment is reviewed annually by directors to ensure that it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining the recoverable amount.

d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and service tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisitions of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

e) Cash

For the purposes of the statement of cash flows, cash includes cash at hand at call deposits with banks or financial institutions, net of bank overdrafts.

f) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

g) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to the abandoned area are written off in full against profit in the year in which the decision is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the 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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs at that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a non discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

h) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for the financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation and will oversee and manage the Company's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of IFRS are:

- Exploration and Development Expenditure

  The IFRS equivalent to AASB 1022 has not yet been released. Therefore, the impact of the adoption of the equivalent standard cannot yet be assessed. Recent updates from the International Accounting Standards Board confirm that there remains uncertainty as to whether or not exploration and evaluation costs can continue to be capitalised.

- Impairment of Assets

  The Company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount will be determined as the higher of fair value less costs to sell and value in use.

- Income Tax

  Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or a future income tax benefit, where it meets the recognition criteria. Under the Australian equivalent to IAS 21, the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

- Changes in Accounting Policies

  Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosures of prior year effects.

The above should not be regarded as a complete list of changes as not all standards have been analysed yet, and some decisions have not been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian International Financial Reporting Pronouncements on the financial position and reported results of the Company.

AXG MINING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

		2004 $	2003 $
2.	**REVENUE**		
	Revenue from ordinary activities		
	- Interest received	5,148	-
	- Other revenue	801	-
	Non-operating activities		
	- Debt forgiven by p arent Company	940,854	-
		946,803	-

3. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

	2004 $	2003 $
Profit/(loss) from ordinary activities before income tax has been determined after:		
Write-down of exploration and evaluation expenditure to recoverable amount	146,895	577,307
Rehabilitation costs expensed	218,274	-
Administration expenses	32,983	73,128
Consultants	162,811	-
Depreciation of plant & equipment	298	-
Staff costs	55,540	-
Stamp duty	-	140,315

4. INCOME TAX EXPENSE

	2004 $	2003 $
Prima facie income tax expense/(benefit) calculated at 30% of profit/(loss) form ordinary activities (2003: 30%)	99,001	(237,225)
Increase in income tax expense due to:		
– Legal fees	2,488	-
– Sundry	1,631	-
Decrease in income tax expense due to:		
– Non-assessable income on intercompany debt forgiveness	(282,256)	-
Income tax benefit on profit/(loss) form ordinary activities	(179,136)	(237,225)
Add tax effect of		
Future income tax benefit not brought to account	91,715	237,225
Income tax benefit attributable to profit on ordinary activities	(87,421)	-

The Company's parent entity, WRF Securities Limited, elected to form a tax consolidated group for income tax purposes with effect from 1 July 2003. The Australian Tax office has not yet been formally notified of this decision. The Company formed part of this consolidated group for the period from 1 July 2003 to 31 December 2003.

The Company has entered into a tax sharing agreement whereby the Company contributed to the head entity, up to 31 December 2003, an amount calculated as if it were on a stand alone basis. Current amounts receivable are disclosed in the Statement of Financial Position as Current Tax Funding Receivable.

The head entity therefore recognises all of the deferred tax assets and liabilities of the tax consolidated group up to 31 December 2004 (after elimination of intragroup transactions).

	2004 $	2003 $

5. DIVIDENDS

No dividends have been paid or declared in respect of the financial years ended 30 June 2003 and 30 June 2004.

6. CASH ASSETS

	2004 $	2003 $
Cash at bank	14,641	5,436

7. RECEIVABLES

	2004 $	2003 $
Other debtors	25,329	-
Current tax funding receivable from head entity	87,421	-
	112,750	-

8. OTHER FINANCIAL ASSETS

	2004 $	2003 $
Security deposit	448,577	-

9. OTHER ASSETS

	2004 $	2003 $
Prepayments	16,066	-
Prepaid listing costs	99,183	-
	115,249	-

10. INTERESTS IN JOINT VENTURE

The Company has a 49.9% interest in the Dalgaranga Gold Mines Joint Venture, whose principal activity is exploration.

The Company's share of assets employed in the joint venture is as follows:

	2004 $	2003 $
Current Assets		
Cash	8,342	-
Receivables	23,295	-
Total Current Assets	31,637	-
Non-Current Assets		
Exploration and evaluation expenditure	365,000	365,000
Total Non-Current Assets	365,000	365,000
Share of Total Assets of Joint Venture	396,637	365,000
Current Liabilities		
Trade creditors	38,231	-
Provisions	18,107	-
Total Current Liabilities	56,338	-
Share of Total Liabilities of Joint Venture	56,338	365,000
Net Interest in Joint Venture	340,299	365,000

	2004 $	2003 $

11. PROPERTY, PLANT & EQUIPMENT

	2004 $	2003 $
Office equipment at cost	3,114	-
Less: Accumulated depreciation	(298)	-
	2,816	-

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year:

	2004 $	2003 $
Balance at the beginning of the financial year	-	-
Additions	3,114	-
Depreciation expense	(298)	-
Carrying amount at the end of the financial year	2,816	-

12. EXPLORATION AND EVALUATION EXPENDITURE

	2004 $	2003 $
Cost brought forward	2,000,000	2,000,000
Exploration expenditure incurred during the year	146,895	577,307
Expenditure written-off during the year	(146,895)	(577,307)
Exploration and evaluation expenditure	2,000,000	2,000,000

13. PAYABLES

Current

	2004 $	2003 $
Trade creditors	51,794	-
Other creditors and accruals	65,732	140,315
Unsecured loan from parent company	588,336	-
	705,862	140,315

Refer to note 20 for details of the terms of the repayment of the loan from the parent company

Non-Current

	2004 $	2003 $
Unsecured loan from parent company	-	655,871

14. PROVISIONS

	2004 $	2003 $
Current	18,107	-
Mining restoration	18,107	-

15. CONTRIBUTED EQUITY

	2004 $	2003 $
27,750,000 fully paid ordinary shares (2003: 15,000,001)	2,343,391	3,000,001
At beginning of reporting period	3,000,001	3,000,001
Reduction in capital on 13/11/03	(1,000,001)	-
Two for three consolidation of issued capital on 13/11/03	-	-
Issue of 17,250,000 shares at $0.02 each on 31/12/03	345,000	-
Issue of 500,000 shares at $0.02 each on 20/1/04	10,000	-
Capital raising costs on issue of shares	(11,609)	-
At reporting date	2,343,391	3,000,001

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

WRF Securities Limited holds 14,750,000 shares in the company, representing 53.153% of the issued capital.

16. ACCUMULATED LOSSES

	2004 $	2003 $
Accumulated losses at the beginning of the financial year	(1,790,751)	(1,000,001)
Reduction in capital	1,000,001	-
Net profit/(loss) attributable to members of the Company	417,423	(790,750)
Accumulated losses at the end of the financial year	(373,327)	(1,790,751)

17. COMMITMENTS AND CONTINGENT LIABILITIES

Estimates of the maximum amount of contingent liabilities that may become payable:

- Claim by Terramin Australia Ltd for alleged breach of a joint venture agreement relating to an alleged failure by the Company to comply with certain minimum expenditure obligations of $425,000. The Company had expended $247,000 up to the date of its exit from the joint venture and believes that this met the minimum expenditure requirements to the date. The claim is for consequential damages. The claim for damages of $1,690,000 is considered to be without merit and legal advice is currently being sought to pursue a counterclaim on the basis that the proceedings are an abuse of Court process. By a Deed of Release entered into on 29 January 2004, WRF Securities Limited has agreed to release the Company from any claim it may have against the Company in respect of the Terramin action. On 16 April 2004, WRF Securities Limited confirmed that it had indemnified the Company from any claims in respect of the by Terramin action.

- An amount of $43,615 (including GST) is payable to Geoinformatics Exploration Australia Pty Ltd ("GEA") for consultancy services, subject to the listing of the Company on the Australian Stock Exchange Limited. In addition, pursuant to an agreement dated 1 November 2002 and assigned to the Company on 8 March 2004, GEA is entitled to a net smelter royalty in relation to the Western Queen area. The royalty is by way of a success fee on resources identified by GEA and is payable at the rate of 2% of net smelter returns for precious metals.

17. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

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 $448,577 (2003: $441,665). Refer to Note 20 (c) for further details.

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 economic ability to fund those activities. It is impossible at the time to quantify the impact (if any) that these developments may have on the Company's operations.

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

18. REMUNERATION OF DIRECTORS

	2004 $	2003 $
The names of each person holding the position of Director of AXG Mining Limited during the financial year are Mr R C Nichevich, Mr I R Plimer, Mr J A Wall, Mr P G Jermyn and Mr C P Mostert.		
Income paid or payable to all Directors from the Company by the Company or any related parties	238,509	237,770

Number of directors who's remuneration from the Company or any related parties fall within the following bands:	No.	No.
$0 - $9,999	3	1
$30,000 - $39,999	1	1
$200,000 - $209,999	1	1

	2004 $	2003 $

19. NOTES TO THE STATEMENT OF CASH FLOWS

a) Cash

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

	2004 $	2003 $
Profit/(Loss) from ordinary activities after income tax	417,423	(790,750)
Non-cash flows in profit from ordinary activities		
Forgiveness of debt by parent entity	(940,854)	-
Depreciation	298	-
Write-down of exploration expenditure	146,895	577,307
Rehabilitation costs expensed	218,274	-
Other expenses	34,979	-
Changes in Assets and Liabilities		
(Increase)/decrease in receivables	(112,750)	-
(Increase)/decrease in other assets	(16,066)	-
Increase/(decrease) in payables	22,789	140,315
Increase/(decrease) in provisions	18,107	-
Increase/(decrease) in other non current liabilities	-	73,128
Cash flows from/(used) in operations	(210,905)	-

c) Non cash financing and investing activities

Exploration and evaluation expenditure of $146,895 (2003: $577,307) was incurred during the year through non-cash transactions with the Company's parent company WRF Securities Ltd.

20. RELATED PARTY TRANSACTIONS

a) The parent entity is WRF Securities Limited. WRF Securities Limited holds 53.153% of the issued capital of the Company. Mr R N Nichevich is the managing director and a substantial shareholder of WRF Securities Limited.

b) AXG Mining Limited has an net interest free loan with its parent company WRF Securities Limited of $500,915 (2003: $655,871).

c) A Deed of Acknowledgement has been entered into between the Company and WRF Securities Limited on 29 January 2004 to deal with security bonds that WRF Securities Limited has deposited in cash with its bank to provide bank guarantees to the West Australian Department of Industry and Resources. The total amount of the security bonds is $448,577. The rehabilitation provisions amounted to $142,880 at the date of entering into the Deed. The refund amount, being the difference of $305,697, is the property of WRF Securities Limited and the Company must pay the refund amount to WRF Securities Limited on the first to occur of the following: the quotation of the Company's shares on the Australian Stock Exchange, the release of any part of the security bonds to the Company by the Department, or WRF Securities Limited making written demand to the Company for payment, subject to the Company having sufficient funds to pay the refund amount. The amount provided under the Deed is included in the interest free loan in b) above.

d) The Company has agreed to repay the balance of the loan owing to WRF Securities Limited, which has been provided for working capital purposes, from the proceeds of its capital raising, following the public listing of the Company on the Australian Stock Exchange Limited, or in the event of the Company being unable to raise funds to enable the listing, from the assets of the Company.

e) The direct, indirect and beneficial holdings of the directors and their director related entities in the shares of the Company as at 30 June 2004 were 3,500,000 fully paid ordinary shares (2003: nil).

21. SEGMENTAL INFORMATION

The Company operates solely within the mining and exploration industry in Western Australia.

22. FINANCIAL INSTRUMENTS

Credit Risk Exposures

The credit risk on financial assets of the Company which have been recognised in the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

The cash component of financial assets is considered to have low credit risk as it is maintained within accounts operated by a reputable financial institution.

Interest Rate Risk Exposures

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial asset and liability is set out below.

Exposures to this type of risk arise predominantly from assets and liabilities bearing variable interest rates as any fixed rate assets or liabilities that the trust may hold is likely to be held to maturity.

	2004 Floating Interest rate $	2003 Floating Interest rate $	2004 Non Interest Bearing $	2003 Non Interest Bearing $	2004 Total $	2003 Total $
Financial Assets						
Cash	-	-	14,641	5,436	14,641	5,436
Receivables	-	-	112,750	-	112,750	-
Other financial assets	448,577	-	-	-	448,577	-
	448,577	-	127,391	5,436	575,968	5,436
Weighted average interest rate	5.1%	-				
Financial Liabilities						
Payables	-	-	117,526	140,315	117,526	140,315
Amounts payable to parent entity	-	-	588,336	655,871	588,336	655,871
	-	-	705,862	796,186	705,862	796,186

Net Fair Value of Financial Assets and Financial Liabilities

The net fair value of the Company's financial assets and financial liabilities approximates their carrying value.

23. AUDITORS REMUNERATION

Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report	5,500	2,820
- other services	500	500
	6,000	3,320

24. 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 Company, the results of those operations or the state of affairs of the Company in subsequent financial years, other than on 15 September 2004, the Company was admitted to the official list of the Australian Stock Exchange Limited following the raising of $2.5 million through the issue of 12,500,000 shares at 20 cents per share.

25. COMPANY DETAILS

The registered and principal office of the Company is:
1A Agnew Street
SUBIACO WA 6008

AXG MINING LIMITED

DIRECTORS' DECLARATION

The directors of AXG Mining Limited declare that:

1. the financial statements and notes, as set out on pages 7 to 19 are in accordance with the Corporations Act 2001:
   a) comply with Accounting Standards and the Corporations Regulations 2001; and
   b) give a true and fair view of the financial position as at 30 June 2004 and performance for the year ended on that date of the Company;

2. in the directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:

R NICHEVICH
DIRECTOR

Dated this day of October 2004