



5 January 2005

The Manager
Australian Stock Exchange Limited
Level 8 Exchange Plaza
2 The Esplanade
Perth WA 6000

**PROPOSED ACQUISITION – Maher Mining Contractors Pty Ltd and Mt.
Dimer Gold Mines Limited**

Dear Sir/Madam

Further to the Company's announcement regarding above and in the interest of keeping the market fully informed, AXG submits the following information;

- Pro – forma Balance Sheet for AXG Mining Limited following the proposed acquisition;
- Pro Forma capital structure for AXG Mining Limited following the proposed acquisition;
- Further details on Maher Mining including previous exploration and expenditure on the properties;
- Further information on Mt Dimer, including previous expenditure on the projects; and
- More detailed summary of resource statements

**By Order of the Board
P G Jermyn**

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AXG Mining Limited ABN 93 092 304 964
Pro Forma balance sheet following acquisition March 2005

Current Assets	\$
Cash Assets	1,158,491
Other financial assets	733,561
Debtors	97,286
Total current assets	<u>1,989,337</u>
Non Current Assets	
Property plant and equipment	17,093
Exploration and tenements	6,534,882
Others investment in MDG	-
Total Non Current assets	<u>6,551,975</u>
Total Assets	8,541,313
Current Liabilities	
Trade creditors	154,994
Other Liabilities	30,691
Provisions	45,910
Other Loans	257,584
Total Current liabilities	<u>489,179</u>
Non Current Liabilities	-
Total Liabilities	489,179
Net Assets	8,052,133
Shareholders Equity	
Share Capital	5,039,694
New Shares issued on Acquisition	4,429,770
Retained Earnings	<u>- 1,417,331</u>
Total Shareholders Equity	8,052,133

AXG Mining Limited ABN 93 092 304 964

Pro - Forma Capital Structure as at 31 March 2005 on the basis of;

the acquisition of 100% issued share capital of Maher Mining Contractors Pty Ltd; and

the acquisition of 100% of the issued share capital of Mt. Dimer Gold Mines Limited

Details	Number of	Total	Number of	Total
	shares	Shareholders	shares	Shareholders
	Pre Acquisition	Capital Pre	Post	Capital Post
		Acquisition	Acquisition	Acquisition
		\$'s		\$'s
Ordinary issued fully paid shares	40,250,000	4,671,194.20	40,250,000 5,000,000 ¹ 15,248,853 ²	4,671,194.20 1,000,000.00 3,229,770.00
Total Ordinary shares	<u>40,250,000</u>		<u>60,498,853</u>	
Options to subscribe to Fully paid ordinary shares at an exercise price of 20 cents and an expiry date of 31 August 2010	40,250,000	368,500.00	40,250,000 10,000,000 ²	368,500.00 200,000.00
Total Options	<u>40,250,000</u>		<u>50,250,000</u>	
		<u>5,039,694.20</u>		<u>9,469,464.20</u>

¹ Maher Mining Contractors Pty Ltd

² Mt. Dimer Gold Mines Limited

Maher Mining Contractors Pty Ltd

Background

Maher Mining Contractors Pty Ltd ("MMC") was formed in Kalgoorlie to undertake small scale underground mining operations and provide general contracting services to the mining industry. In early 2001 MMC acquired the Mt Dimer Gold Project from Tectonic Resources NL. MMC initially commenced a small scale underground mining operation in the floor of the previously mined Fordo Open Cut Pit. Ore was carted to Coolgardie for treatment and mining was suspended in 2002.

MMC also undertook an internal review of the project to determine further potential and identified a number of areas that it considered had potential for further mining. These areas were both open cut and underground locations and MMC decided that the project was beyond the resources of MMC in both capital requirements and scale.

In October 2003 reached agreement to vend the Mt Dimer Project into a new float called Mt Dimer Gold Mines Limited. The float did not proceed and MMC retained the project until it entered into the current Heads of Agreement with AXG Mining Limited ("AXG").

Assets

The assets of MMC post the AXG acquisition will comprise the Mt Dimer Gold Project and cash on deposit of \$255,000. A tenement schedule for the Mt Dimer Gold Project is included below.

Past Exploration Activity and Expenditure

The Mt Dimer Project was actively mined by various groups between mid 1990 and April 1997, and produced 639,790 tonnes at 6.48g/t Au for more than 133,000 ounces of gold and 183,000 ounces of silver. This production came from 6 open pits, and 4 underground mines. Access to the underground workings was via a 1.5km long decline driven from the base of the LO1 open pit.

The plant was decommissioned in April 1997 however considerable infrastructure remains on site.

Mt Dimer Project Previous Mining Summary

Deposit	Mined Strike Length	Width	Depth Mined	Tonnes	Grade (g/t Au)
LO1	75-175m	1-5m	200m	57,250 (p)	7.37
				108,457(u)	8.09
Boobook	50m	1-2m	50-70m	4,275 (u)	9.56
LO2	80-200m	1-8m	200m	47,111 (p)	6.24
				70,261 (u)	9.69
LO2A	80-200	1-5m	200m	44,262(u)	8.72
LO3	190m	1-4m	61m	13,476 (p)	4.46
			77-90m	9,138 (u)	6.57
LO4	13m	1.2m		1,810 (u)	3.04
Anomaly 2 Laterite	50m	1-3m		6,700	2.00
Golden Slipper	100m	1-8m	63m	67,000	3.40
Frodo	75m	1-7m	40m	15,155	11.32
Karli West	55m	1-6m	40m	10,704	6.44
LO1, 2 3 Laterite (estimated)	3m			100,000	1.70

Note (p) means open pit production, (u) means underground production.

Previous exploration, development and mining expenditure totalled approximately \$50 million. This figure has been calculated from reports and data supplied to MMC by previous owners of the Mt Dimer Project.

A low impact underground mining operation below the Frodo open pit was carried out by MMC between mid 2001 and early 2002.

Resource Statement (JORC Compliant)

Mt Dimer Gold Project Resource Statement December 2004

Zone	Tonnes	Grade	Grams	Ounces	JORC Category
L01 U/G	4,280	7.90	33,812	1,087	Measured Resource
L01 U/G	80,000	6.50	520,000	16,720	Inferred Resource
L02/2A U/G	95,000	6.50	617,500	19,855	Inferred Resource
L03 U/G	4,530	6.69	30,306	974	Measured Resource
L04 U/G	16,000	6.50	104,000	3,344	Inferred Resource
Karli West Pit	1,020	8.55	8,721	280	Measured Resource
Karli West U/G	12,000	6.50	78,000	2,508	Inferred Resource
Golden Slipper U/G	52,800	6.50	343,200	11,035	Inferred Resource
Golden Slipper Sth Pit	39,850	4.85	193,273	6,215	Measured Resource
Lightning Pit	10,000	3.25	32,500	1,045	Indicated Resource
Lightning U/G	10,100	11.73	118,473	3,809	Inferred Resource
Anomaly 2 Pit	12,480	3.82	47,674	1,533	Inferred Resource
Anomaly 2 Laterite	12,430	1.70	21,131	679	Measured Resource
Silverwing Laterite	17,780	1.34	23,825	766	Measured Resource
EM 1 Laterite	8,960	1.33	11,917	383	Measured Resource
Total	377,230	5.79	2,184,331	70,236	

	Tonnes	Grade	Grams	Ounces
Total Inferred Resources	278,380	6.57	1,828,847	58,805
Total Indicated Resources	10,000	3.25	32,500	1,045
Total Measured Resources	88,850	3.64	322,984	10,385
Total	377,230	5.79	2,184,331	70,236

Financial Performance

The past financial performance of MMC is not considered relevant as the contracting business operated by MMC and those assets will be retained by the vendors of MMC as part of this transaction.

Tenement Schedule

Tenement	Size	Holder
M77/427	664.6Ha	Maher Mining Contractors Pty Ltd
M77/428	624.65Ha	Maher Mining Contractors Pty Ltd
L77/83	2.4644Ha	Maher Mining Contractors Pty Ltd
L77/135	62Ha	Maher Mining Contractors Pty Ltd
L77/147	7.8771ha	Maher Mining Contractors Pty Ltd

The mineral resources detailed here are based on information compiled and reported upon by Mathew Sullivan, who is a Member of the Australasian Institute of Mining and Metallurgy, and has more than five years experience in the field of activity being reported upon.

Mt Dimer Gold Mines Limited

Background

Mt Dimer Gold Mines Limited ("MDG") was incorporated in September 2003 to acquire and develop mineral projects prospective for gold and other minerals. MDG issued a prospectus in November 2003 to raise up to \$5.0 million and list on the ASX. The prospectus was withdrawn in August 2004 and the listing did not proceed.

Assets

- MDG has an option to acquire the Corinthian Gold Mine. The option requires the drilling of four exploration holes below the old underground workings within 12 months. The option can be exercised within the 12 months by the commencement of mining operations with a royalty of \$2.50 per dry tonne payable quarterly in arrears. A minimum payment of \$25,000 per quarter is required. The option can be extended for a further 12 months by the payment of \$25,000 and the drilling of a further 4 exploration holes to depths of approximately 200m.

- MDG has entered into agreements to purchase the following projects:

Pioneer (80% interest)

Ubini (80% interest)

Brown Lake (80% interest)

These acquisitions will be completed upon the payment of \$60,000 and the issue of 600,000 shares in AXG Mining Ltd.

- MDG has an option to acquire the Mt Dimer North Project for the payment of \$30,000. This project adjoins the northern boundary of the Mt Dimer Gold Project.

Previous Exploration & Expenditure

Corinthian

Prior to 1964 an underground operation operated by Western Consolidated mined 298,278 tonnes at a recovered grade of 6.29g/t Au. Three underground levels were established off an incline shaft. In the late 1980s Broken Hill Metals mined a small open pit which extracted 26,626 tonnes at a recovered grade of 1.93g/t Au. Jordan Mining have re-established the underground workings and have mined several 500 tonne parcels grading 10 to 30g/t Au. Subsequently Sons of Gwalia (SOG) held an option to explore the top 100 vertical metres for open cut ore. Their drilling encountered a second parallel lode that had not been previously identified. As the main

potential at Corinthian occurs below 100m depth, SOG withdrew from the option.

The current resource identified from existing drilling is listed in the attached table.

The Resource at Corinthian contains a high-grade (+5g/t Au) core which has an indicated resource of 84,859 tonnes grading 5.86g/t Au. This resource remains open at depth and is considered to represent the greatest potential within the project. This is the basis of the underground potential referred to in the previous announcement. To date, more than \$1,000,000 has been spent on exploration and development at Corinthian.

Pioneer

Pioneer was acquired by the current JV partners in the early 1990s, and has been optioned to WMC, Delta Gold and Bullion Minerals in the past. These explorers have carried out soil sampling, aircore, RC and diamond drilling on several gold and nickel prospects, all of which are at early stages of exploration. The best defined to date is the Spongelite Prospect which has received several drilling programmes and contains the resource identified to date. To date, more than \$700,000 has been spent on exploration at Pioneer.

Brown Lake

Brown Lake was acquired by the current JV partners in the early 1990s, and was briefly optioned to Delta Gold prior to their merger with Goldfields. Approximately \$200,000 has been spent on exploration at Brown Lake to date.

Limited soil sampling, and follow up aircore drilling has been completed on one prospect which has returned encouraging gold assays. Other targets have yet to be tested.

Ubini

Ubini was acquired by the current JV partners in the early 1990s. Work completed to date has consisted of compilation of all previous data. This has highlighted several gold prospects, one of which has had wide spaced drilling. This mineralisation shows consistency and a small inferred resource has been estimated. Other targets have yet to be tested.

Total exploration expenditure at Ubini to date is approximately \$75,000

Mt Dimer North

The Mt Dimer North area has been explored by several mining companies since the late 1980s. Previous explorers have included Placer Exploration, Burmine and Sons of Gwalia. Reconnaissance exploration drilling to date has

outlined several highly prospective mineralised zones, one of which, Woodcutters, has an inferred resource (refer Resource Statement). To date, some \$380,000 is estimated to have been spent on the Mt Dimer North Project.

Tenement Schedule

Project	Tenement	Area	Holder
Brown Lake	P15/3883	180.5ha	T. Stehn, A. Stehn, H. Carmody
	P15/3884	160.0ha	T. Stehn, A. Stehn, H. Carmody
	P15/3885	165.0ha	T. Stehn, A. Stehn, H. Carmody
	P15/3886	142.0ha	T. Stehn, A. Stehn, H. Carmody
	MLA15/1342	647ha	
	P15/3887	99.0ha	T. Stehn, A. Stehn, H. Carmody
	MLA15/1344	99.0ha	
Pioneer	E63/337	3 blocks	H. Carmody, N. Gill, T. Stehn
	E63/733	5 blocks	H. Carmody, N. Gill, A. Stehn
	M63/329	67.51ha	H. Carmody, N. Gill, T. Stehn
	M63/368	383.0ha	H. Carmody, N. Gill, T. Stehn
	MLA63/394	882.0ha	H. Carmody, N. Gill, T. Stehn
	MLA63/567	164ha	H. Carmody, N. Gill, A. Stehn
Ubini	P15/3204	100.0ha	A. Stehn
	MLA15/994	100.0ha	A. Stehn
	P15/4328	174.0ha	Bullabulling Pty Ltd
	P15/4329	141.0ha	Bullabulling Pty Ltd
	MLA15/1482	322ha	Bullabulling Pty Ltd
Corinthian	ML 77/677	12.15Ha	Alan Frederick Jordan & Carolyn Joan McCusker
Mt Dimer Nth (Woodcutters)	MLA77/957	54 Ha	Tectonic Resources Ltd
	MLA77/958	52 Ha	Tectonic Resources Ltd
	MLA77/964	854 Ha	Tectonic Resources Ltd
	MLA77/965	634 Ha	Tectonic Resources Ltd

Resource Statements

Resource Statement December 2004

Zone	Tonnes	Grade	Grams	Ounces	JORC Category
Pioneer	220,008	1.87	411,652	13,236	Inferred Resource
Corinthian	1,004,004	2.19	2,198,769	70,700	Indicated Resource
Mt Dimer North	170,000	4.05	689,105	22,158	Inferred Resource
Total	1,394,012	2.37	3,299,526	106,094	

	Tonnes	Grade	Grams	Ounces
Total Inferred Resources	390,008	2.82	1,100,757	35,394
Total Indicated Resources	1,004,004	2.19	2,198,769	70,700

Financial Performance

MDG incurred a loss of \$41,166 for the period ended 31st December 2004.

All Other Projects

The mineral resources detailed here are based on information compiled and reported upon by Mathew Sullivan, who is a Member of the Australasian Institute of Mining and Metallurgy, and has more than five years experience in the field of activity being reported upon.

Corinthian Gold Mine

The mineral resources detailed here are based on information compiled and reported upon by Leigh Jordan, who is a Member of the Australasian Institute of Mining and Metallurgy, and has more than five years experience in the field of activity being reported upon.