AXG Mining Limited

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QUARTERLY REPORT
FOR THE 3 MONTHS ENDED 31 March 2006

AXG Mining Limited (AXG) is pleased to provide the following exploration report for the March quarter 2006.

Murchison Project

The Murchison Project is located about 80km northwest of Mt Magnet, Western Australia. The project is separated into two tenement groups, the Western Queen and Dalgaranga. Two mining leases (Western Queen and Western Queen South) 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. AXG also has 100% owned tenements covering a part of the 4km x 40km Warda Warra Greenstone Belt in the Western Queen area.

No field exploration work was undertaken at the Murchison project during the quarter. The Company is, however, in discussions with a party with a view to completing a corporate transaction on the project. Negotiations are continuing and a decision is likely to be made in the next quarter.

West Musgrave Project

The West Musgrave Project tenements are centred about 120km northeast of Warburton, Western Australia. They cover about 40km of strike 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.

With the withdrawal of WMC Resources from the West Musgrave Joint Venture the tenements are now 100% AXG. The Company has undertaken an assessment of the results and is in discussions with possible joint venture partners.

Further Acquisitions

The Company is actively seeking additional projects and is continuing to evaluate a number of potential projects that may be acquired.

Corporate

In accordance with the resolution passed at the annual general meeting of 29 November 2005, the Company raised a further $350,000 (before costs) by way of a successful share placement, being 5,000,000 fully paid ordinary shares plus 2,500,000 options. The options are exercise able at 20 cents each and expire on 31 August 2010, and rank equally and merge with the existing options trading on the ASX.

Due to the terms and conditions placed on the previously issued employee options, 1,000,000 employees options (expire 15 January 2008 and exercisable at 20 cents each) have been terminated.

Shareholders and potential investors attention is drawn to the fact that the Company has moved offices, and the principal place of residence is:

1171 Hay Street
West Perth WA 6005,

And the postal address is:

PO Box 1922
West Perth WA 6872

The new Company phone number and fax numbers are:

Phone +61 8 9481 1144
Fax +61 8 9481 1155

The Company's e mail address has not changed

admin@axgmining.com.au

Yours sincerely

Peter Jermyn
Chairman

This report, so far as it pertains to mineral resources and exploration results, is based on information compiled by and reported upon by M P 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 on.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

AXG Mining Limited

ABN

93 092 304 964

Quarter ended ("current quarter")

March 2006

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (....9...months) $A'000
1.1	Receipts from product sales and related debtors	5	7
1.2	Payments for (a) exploration and evaluation	(86)	(183)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(129)	(415)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	8	54
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(202)	(537)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	6
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	6
1.13	Total operating and investing cash flows (carried forward)	(202)	(531)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(202)	(531)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	329	329
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	119
1.17	Repayment of borrowings	-	(326)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	329	122
	Net increase (decrease) in cash held	127	(409)
1.20	Cash at beginning of quarter/year to date	1,075	1,611
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	1,202	1,202

Payments to directors of the entity and associates of the directors

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

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	23
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The Company had a successful capital raising of $350,000 by way of issuing an addition 5 million FPO and 2.5 million options (exercise price 20 cents and expiry 31 August 2010)

Non-cash financing and investing activities

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

Nil

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

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	N/A
3.2	Credit standby arrangements	Nil	N/A

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	50
4.2	Development	-
	Total	50

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	511	508
5.2	Deposits at call	691	567
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	1,202	1,075

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	45,250,000	22,825,000		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,000,000	5,000,000		
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	42,750,000	41,863,000 -	*Exercise price* *20 cents*	*Expiry date* *31 August 2010*
7.8	Issued during quarter	2,500,000	2,500,000	*Exercise price* *20 cents*	*Expiry date* *31 August 2010*
7.9	Exercised during quarter				
7.10	Expired during quarter	1,000,000		*20 cents*	*9 January 2008*
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: ....Roland Berzins................ Date: ......28 April 2006......................
(Company Secretary)

Print name: ....Roland Berzins...

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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