AXG MINING LIMITED

A.B.N. 93 092 304 964

and Controlled Entities

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2008

Corporate Directory

Directors

Alex Bajada – Non Executive Director and Chairman

Gordon Sklenka– Non Executive Director

Roland Berzins – Executive Director

Company Secretary

Roland Berzins

Share Registry

Securities Transfer Registrars Pty Ltd

Suite 1 Alexandra house

770 Canning Highway

Applecross WA 6953

Telephone: (+61 8) 9315 2333

Facsimile: (+61 8) 9315 2233

Registered and Principle Office

Suite 4 16 Ord Street West Perth WA 6005

Telephone: (+61 8) 9486 1122

Facsimile: (+61 8) 9486 1011

Email: admin@axgmining.com.au

Website: www.axgmining.com.au

Postal Address

PO Box 1922

West Perth WA 6872

ABN 93 092 304 964

ACN 092 304 964

ASX Code: AXC

ASX Code: AXCO

Auditors

WHK Horwarth

Chartered Accountants

Level 6

256 St Georges Tce

Perth WA 6000

Contents

Dear Shareholder

On behalf of your Board of Directors I am pleased to present the Company's 2008 Annual Report.

During the first quarter the Company received the final payment from the sale of part of the Dalgaranga Gold Mines Joint Venture. In light of the extremely difficult market conditions now being experienced, this transaction has been a good one for the Company in that it has injected a significant cashflow into the Company which has been retained to be applied to future activities.

Due to market conditions negotiations have ceased on a potential transaction that would have seen the balance of the Dalgaranga project used to form the basis of a new Mt Magnet focused IPO.

On a separate front , the Company negotiated a farm in with Buxton Resources Ltd on some of the Dalgaranga project ground which helped defray the holding costs of the project. Exploration work undertaken by Buxton has been disappointing and we have been advised by Buxton that they intend to withdraw from the farm in.

During the year preliminary exploration work was undertaken on the uranium tenements acquired in the previous year. Final results have been slow in coming through but it is anticipated that results will be available in the second quarter.

During the year the Board has evaluated a number of significant projects for possible acquisition.

With the deterioration of the capital markets any potential acquisition will need to be made without large upfront cash payments or the need to raise further capital in the short term to fund exploration or development. None of the projects evaluated has been able to meet these criteria but we remain confident that in light of current conditions a suitable project will become available.

In the interim the Company remains well funded to survive the market turmoil without out the need to raise further capital.

On behalf of the Board I would like to thank shareholders for their patience in what has proven to be a difficult year for small resources companies.

Yours faithfully

Gordon Sklenka

Director

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of AXG Mining Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of AXG Mining Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on AXG Mining Limited's key governance principles and practices.

1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the Australian Securities Exchange (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

For further information on corporate governance policies adopted by the Company, refer to the corporate governance section of our website: www.axgmining.com.au

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
Principle 2	**Structure the Board to add value**		
2.1	A majority of the board should be independent directors.	2(e)	No
2.2	The chair should be an independent director.	2(c), 2(e)	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	Yes
2.4	The board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
Principle 3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary as to:		
	• the practices necessary to maintain confidence in the company's integrity;	4(a)	Yes
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and	4(a)	Yes
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	4(a)	Yes
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the	4(b)	Yes

	policy or a summary.		
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	4(a), 4(b)	Yes
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors;	3(a)	No
	• consists of a majority of independent directors;	3(a)	No
	• is chaired by an independent chair, who is not chair of the board; and	3(a)	Yes
	• has at least three members.	3(a)	Yes
4.3	The audit committee should have a formal charter	3(a)	No
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	3(a)	Yes
Principle 5	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	5(a), 5(b)	Yes
Principle 6	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	5(a), 5(b)	Yes
Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
Principle 8	**Remunerate fairly and responsibly**		

8.1	The board should establish a remuneration committee.	3(b)	No
8.2	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on Principle 8.	3(b)	Yes

2. THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately.
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Conduct and that the Company practice is consistent with that Code; and other policies; and
- Reporting to and advising shareholders.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

2(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be Exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of two non-executive Directors and one executive Director. Details of the members of the Board, their experience, expertise, qualifications, terms of office and independent status are set out in the Directors' Report of the Annual Report under the heading "Directors".

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Chief Executive Officer is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

2(c) Chairman and Chief Executive Officer

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

The Board does not comply with the ASX Recommendation 2.2 in that the Chairman, whilst a non-executive, is not an independent Director due to his substantial interest in the Company (refer to 2(e) Independent Directors). The Board has considered this matter and decided that the non-compliance does not effect the operation of the Company.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Company's business activities

The Board specifies that the roles of the Chairman and the Chief Executive Officer are separate roles to be undertaken by separate people.

2(d) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board in accordance with the Company's "Selection of New Directors Policy".

2(e) Independent Directors

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of AXG Mining Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Company does not comply with ASX Recommendation 2.1, there is a majority of non-executive Directors but there is not a majority of independent Directors on the Board. In accordance with the definition of independence above.

The Board believes that the Company is not of sufficient size to warrant the inclusion of more independent non-executive Directors in order to meet the ASX recommendation of maintaining a majority of independent non-executive Directors. The Company maintains a mix of Directors from different backgrounds with complementary skills and experience.

In recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman must be a non-executive director.

2(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

2(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information.

There are procedures in place, agreed by the board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

2(h) Review of Board performance

The performance of the board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each board member's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of AXG Mining Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

3. BOARD COMMITTEES

3(a) Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.2 as only two of the three members are non-executive Directors and none are considered to be independent Directors (refer 2(e)). The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is auditor's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

The directors are satisfied that the provision of non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of the non-audit services did not compromise the auditor's independence requirements of the Corporations Act because the services were provided by persons who were not involved in the audit and the decision as to whether or not to accept the tax planning advice was made by management.

3(b) Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executive such that it comprises a fixed salary, statutory superannuation and participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration.

The remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

4. ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

4(b) Policy concerning trading in Company securities

The Company's "Dealings in Company Shares and Options Policy" applies to all Directors, officers and employees. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- No trading is permitted in the period of 21 days prior to the announcement to the ASX of the Company's full year and half year results;
- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- Prior approval of the Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

5. TIMELY AND BALANCED DISCLOSURE

5(a) Shareholder communication

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

5(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

6. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Risk Management and Internal Control Policy"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

6(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

6(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

6(c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

6(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

DIRECTORS' REPORT

Your Directors present their report together with the financial report of AXG Mining Limited's consolidated group ("AXG" or "The Company") for the financial year ended 30 June 2008.

Directors

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

Alex Bajada – Non Executive Director and Chairman.
Gordon Alfred Sklenka – Non Executive Director
Roland H Berzins – Executive Director and Company Secretary

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 mining exploration.

Results of Operations

The net loss of the Company after income tax for the financial year amounted to $481,682 (2007: loss of $554,455).

Dividends

No dividends were paid or declared during the financial year. No recommendation for the payment of dividends has been made.

Review of Operations

Uranium Prospects

1. Mt Ida (Gum Well) AXG 100%

The Gum Well exploration licences 29/601 and 602 lie approximately 50km northeast of Perrinvale Station and are accessed via Menzies.

Interpretation of airphoto and satellite imagery followed by field inspection helped to define the potential location and extent of recent and paleodrainage calcrete accumulations on the tenements. Follow-up ground radiometrics and selective soil geochemistry provided targets for immediate drill testing. A comprehensive radiation management programme was developed by AXG for the approval of the Department of Consumer and Employment Protection as part of the approvals process for drilling.

An aircore drilling programme comprising 94 vertical holes for 1095 metres was carried out in the June quarter. Whilst a hand spectrometer was used on site to determine the approximate uranium content, all composite samples were submitted for assay.

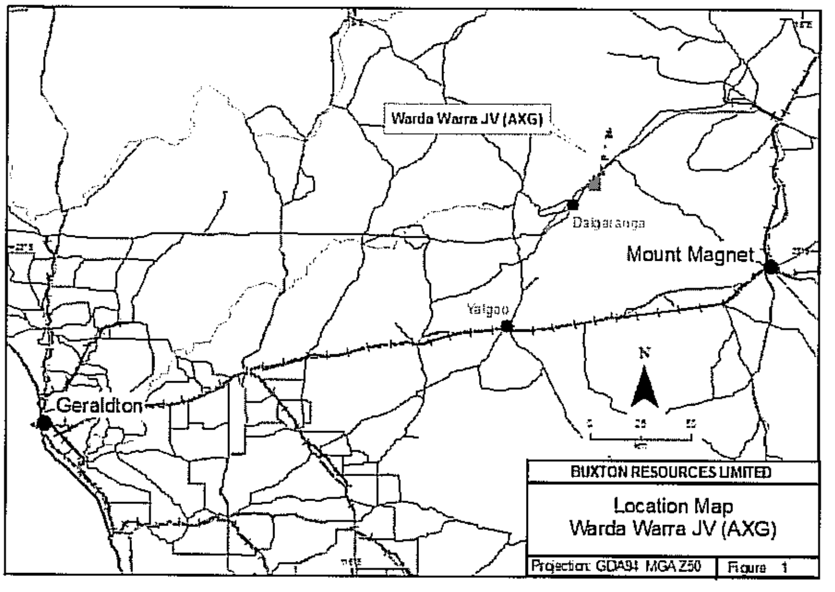
Drilling intersected powdery and porcellaneous calcrete, silcrete and underlying clays but the uranium-bearing calcrete commonly found on the surface of many of the drill sites was not encountered at depth. The first round of assays were quite disappointing and a number of samples will be re-assayed using a total digest technique to determine if the Uranium is locked within the silicate rather than carbonate host.

2. Merredin (E70/2947) and Wongan Hills (E70/2927) – AXG 100%

Landsat imagery and published airborne radiometrics were revisited to determine the possible source of groundwater Uranium anomalism within these tenements. A reconnaissance ground radiometrics programme was planned and relevant private landowners were contacted but with a pending State Government election and the high risk of a legislative ban on uranium mining in Western Australia, field work was postponed to await the outcome of the election.

3. Warda Warra (Western Queen) – AXG 100%

AXG holds 3 exploration licences and 3 mining leases over parts of the Warda Warra Greenstone Belt 90km NW of Mt Magnet. In October 2007, Buxton Resources Ltd agreed to spend $600,000 on exploration of the tenements over a period of 30 months to earn an 80% interest in the nickel and basemetal rights. As a minimum it had to spend $200,000 to October 2008 on exploration or pay AXG the difference. AXG retained rights to all other commodities including gold.



An airborne EM programme by Buxton in November 2007 outlined a number of small conductors near the "Trixie" gold diggings but failed to provide targets worthy of drill testing. Buxton then examined the potential for lateritic nickel above the known ultramafics within the belt and completed 50 aircore holes for 1170m over 9 regolith geochemistry targets with coincident airmagnetic highs. Drillhole locations and coincident magnetic anomalies are shown on the figure below.

Best results were:

Hole 9: 14m @ 0.69% Ni from surface to end of hole;
Hole 24: 8m @ 0.88% NI from 18m;
Hole 28: 14m @ 0.97% Ni from 8m;
Hole 43: 10m @ 0.83% Ni from 6m to end of hole;
Hole 47: 8m @ 0.81% Ni from 8m to end of hole.

Future Developments

The company's business strategies and prospects for growth in future financial years have not been included in this report, as the inclusion of this information is likely to result in an unreasonable prejudice to the company.

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.

Likely Developments

There are no likely developments of which the Directors are aware, which could be expected to effect 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 effect 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.

REMUNERATION REPORT audited

This report outlines the remuneration arrangements in place for Directors and other Key Management Personnel of the Company in accordance with the *Corporations Act 2001* and its regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures,* which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. These remuneration disclosures have been audited.

For the purposes of this report, Key Management Personnel ("KMP") of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly. The Company did not have any other key management personnel other than its directors.

For the purposes of this remuneration report, the term 'executive' encompasses the Non Executive Directors of the Company.

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives; and
- Link executive rewards to shareholder value.

The Board as a whole is responsible for considering remuneration policies and packages applicable both to board members and senior executives of the Company. The board remuneration policy is to ensure the remuneration package, which is not linked to the performance of the Company, properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director and senior manager remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Each Director receives a fee for being a Director of the Company.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the Company whose board he or she sits.

The remuneration of non-executive Directors for the period ending 30 June 2008 is detailed below.

Managing Director and Executive Remuneration Structure

Based on the current stage in the Company's development, its size, structure and strategies, the Board considers that the key performance indicator in assessing the performance of Executives and their contribution towards increasing shareholder value is share price performance over the review period.

Individual and Company operating targets associated with traditional financial and non-financial measures are difficult to set given the small number of Executives and their need to be flexible and multi-tasked, as the Company responds to a continually changing business environment. Consequently, a formal process of defining Key Performance Indicators (KPI's) and setting targets against the KPI's has not been adopted at the present time.

Remuneration consists of the following key elements:

Fixed remuneration;

Variable remuneration;

Short term incentives (STI); and

Long term incentives (LTI).

The proportion of fixed remuneration and variable remuneration is established for each executive by the Board.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration industry and external advice. Executives receive their fixed remuneration in cash.

There are no fringe benefits at the present time.

Variable Remuneration – Short Term Incentive (STI)

The objective of the STI is to link the increase in shareholder value over the year with the remuneration received by the Executives charged with achieving that increase. The total potential STI available is set at a level so as to provide sufficient incentive to the Executives to achieve the performance goals and such that the cost to the Company is reasonable in the circumstances.

Annual STI payments granted to each executive depend on their performance over the preceding year and are based on recommendations from the Chief Executive Officer following collaboration with the Board. Typically included are measures such as contribution to strategic initiatives, risk management and leadership/team contribution.

The aggregate of annual STI payments available for Executives across the Company is subject to the approval of the Board. Payments are usually delivered as a cash bonus. There were no STI payments during the financial year.

Variable Remuneration – Long Term Incentive (LTI)

The objective of the LTI plan is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive and the responsibilities the Executive assumes in the Company.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options are issued in accordance with the Company's Share Option Plan.

Typically, the grant of LTI's occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time. However, under certain circumstances, including breach of employment conditions, the Directors may cause the options to expire prior to their vesting date. In addition, individual performance is more commonly rewarded over time through STI's.

There were no LTI payments during the financial year.

Names and positions held of Directors and Specified Executives in office at any time during the financial year are:

Mr. A Bajada	Non-Executive Chairman
Mr. G. A. Sklenka	Non-Executive Director
Mr. R. H. Berzins	Executive Director

Directors' Remuneration

2008	Primary				Post Employment	Equity	Total
	Director's Fees	Superannuation Contribution	Consulting fees	Bonuses	Superannuation	Options	
	$	$	$	$	$	$	$
Mr. A Bajada	54,166	2,700	30,000	-	-	-	86,866
Mr. G. A. Sklenka	21,667	2,700	95,000	-	-	-	119,367
Mr. R. H. Berzins	21,667	9,330	103,667	-	-	-	134,664
	97,500	14,730	228,667	-	-	-	340,897

2007	Primary				Post Employment	Equity	Total
	Director's Fees	Superannuation Contribution	Consulting fees	Bonuses	Superannuation	Options	
	$	$	$	$	$	$	$
Mr. P. G. Jermyn	2,727	-	-	-	-	-	2,727
Mr. C. P. Mostert	15,167	-	-	-	-	-	15,167
Mr. A Bajada	18,938	-	-	-	-	-	18,938
Mr. G. A. Sklenka	24,610	4,500	60,000	-	-	-	89,110
Mr. R. H. Berzins	20,000	5,850	65,000	-	-	-	90,850
	81,442	10,350	125,000	-	-	-	216,792

Shareholdings – 2008
Number of Shares held by Directors and Specified Executives

Directors	Balance 1.7.07	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.08
Mr. A. Bajada	250,000	-	-	-	250,000
Mr. G. A. Sklenka	10,351,381	-	-	-	10,351,381
Mr. R. H. Berzins	310,000	-	-	-	310,000
Total	10,911,381	-	-	-	10,911,381

* Net Change other refers to shares purchased or sold during the financial year.

Option holdings – 2008
Number of Options held by Directors and Specified Executives

Directors	Balance 1.7.07	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.08
Mr. G. A. Sklenka	6,214,856	-	-	-	6,214,856
Mr. R. H. Berzins	340,000	-	-	-	340,000
Mr. A. Bajada	125,000	-	-	-	125,000
	6,679,856	-	-	-	6,679,856

* Net Change Other refers to options purchased or sold during the financial year.

Currently 99,750,000 options are on issue (2007: 51,250,000)

Directors' Particulars

Mr. A Bajada	**Non-Executive Chairman, appointed 13th February 2007.**
Qualifications	**B.Econ (UWA)**
Experience	Mr. Bajada is Executive Director of Spartan Nominees Pty Ltd, corporate consultants. He is a former stockbroker with many years experience in the corporate sector and has been involved in the management of public companies for many years fulfilling the roles of chairman and director.
Other directorships	Mr. Bajada is currently Managing Director of Excalibur Mining Corporation Limited (since 30/11/2004), Chairman of Odin Energy Limited (since 20/3/2007) and an independent Director of the WA Local Government Superannuation Plan. ***Other directorships within the last three years*** Advance Healthcare Group Ltd, Chairman of Inovax Ltd
Remuneration	Mr. Bajada received director's fees of $54,166. (2007: $18,938) plus consulting fees of $30,000 (2007: nil)
Interest in shares	Mr. Bajada has an interest in 250,000 fully paid ordinary shares.
Interest in options	Mr. Bajada has an interest in 125,000 options on ordinary shares.
Related transactions	Mr. Bajada has had no related party transactions with the company.
Mr. G A Sklenka	**Non-Executive Director – appointed 16th February 2005**
Qualifications	B. Comm.
Experience	Mr. Sklenka graduated from the University of Western Australia with a Bachelor of Commerce majoring in accounting and finance. He has over 16 years experience in corporate finance in the areas of capital raisings, IPO's, acquisitions and project finance in the resource and technology sectors. Mr. Sklenka has worked with a number of listed public companies in both Australia and Canada and developed extensive experience in company formation, capital raising and project acquisition.
Other directorships	Mr. Sklenka is currently a director of Tribune Resources NL (since 16/8/2004), Rand Mining NL (since 16/8/2004), Regal Resources Limited (since 11/9/2003), Advanced Energy Limited (since 10/11/2004) Vector Resources Ltd (since 6/1/2004) and Odin Energy Ltd (since 29/9/2007). Other directorships in the last three years. None
Remuneration	Mr. Sklenka received director's fees of $ 21,667 (2007: $24,610) and consulting fees of $95,000 (2007: $60,000.)
Interest in shares	Mr. Sklenka has a direct and indirect interest in 10,351,381 fully paid ordinary shares.
Interest in options	Mr. Sklenka has a direct and indirect interest in 6,214,856 options on ordinary shares.

Related transactions	Mr. Sklenka has had no related party transactions with the company.
Mr. Roland H Berzins	**Company Secretary and Public Officer, appointed a director on 15 December 2005.**
Qualifications	B Comm. ACPA FFIN TA.
Experience	Mr. Berzins graduated from the University of Western Australia with a Bachelor of Commerce majoring in accounting and finance. Mr. Berzins has over 21 years experience in the mining industry and was previously Chief Accountant for 6 years for Kalgoorlie Consolidated Gold Mines Pty Ltd. Since 1996 Mr. Berzins has been company secretary for a variety of ASX listed companies, and has also had experience in retail, merchant banking, venture capital and SME business advisory.
Other directorships	Mr. Berzins is currently a director of Vector Resources Ltd (since 4/10/2005) and Palace Resources Ltd (since 20/5/2005). Other directorships in the last three years. None
Remuneration	Mr. Berzins received $21,667 (2007: $20,000) in director's fees and $103,667 (2007: $65,000) in consulting fees.
Interest in shares	Mr. Berzins has a direct and indirect interest in 310,000 fully paid ordinary shares.
Interest in options	Mr. Berzins has a direct and indirect interest in 340,000 options on ordinary shares.

Meetings of Directors

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

Directors	Number eligible to attend	Number attended
A Bajada	10	10
G A Sklenka	10	10
R H Berzins	10	10

Options

As at 30 June 2008 there were 99,750,000 options outstanding exercisable at $0.20 with expiry on 31 August 2010. (2007: 51,250,000).

Indemnifying Officers

During or since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the current directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the company.

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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 56.

Non-audit Services

The company's auditors did not provide non-audit services during the financial year.

Corporate Governance

The directors of the company support and adhere to the principles of corporate governance, recognizing the need for the highest standard of corporate behaviour and accountability. A corporate governance statement precedes this director's report.

Auditor

WHK Horwath continues in office in accordance with Section 327 of the *Corporations Act 2001*.

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

G. SKLENKA
DIRECTOR
Dated this 26 day of September 2008
Perth, Western Australia

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

		Economic Entity		Parent Entity	
	Note	2008 $	2007 $	2008 $	2007 $
Other revenues	5	1,282,687	58,466	1,215,187	58,466
Exploration expenditure written off or incurred	6	(493,205)	(7,639)	(493,205)	(7,639)
Cost of tenement sales	6	(281,411)	-	(281,411)	-
Other expenses	6	(831,685)	(453,694)	(940,663)	(453,694)
Profit / (loss) before income tax expense		(323,614)	(402,867)	(500,092)	(402,867)
Income tax expense	7	(158,068)	(151,588)	(137,882)	(151,588)
Net profit / (loss)		(481,682)	(554,455)	(637,974)	(554,455)
Net profit / (loss) attributable to outside equity interests		-	-	-	-
Net profit / (loss) attributable to members of the company		(481,682)	(554,455)	(637,974)	(554,455)
Basic and diluted loss per share (cents per share)	29	(0.55)	(1.13)	(0.73)	(1.13)

The accompanying notes form part of these financial statements

BALANCE SHEET

AS AT 30 JUNE 2008

		Economic Entity		Parent Entity	
		2008	**2007**	**2008**	**2007**
	Note	**$**	**$**	**$**	**$**
CURRENT ASSETS					
Cash and cash Equivalents	9	3,091,376	1,104,213	3,091,376	1,104,213
Trade and other receivables	10	180,849	301,970	106,598	301,970
Other financial assets	11	332,092	444,074	332,093	444,074
Other current assets	12	900,000	1,070	1,311,460	171,739
TOTAL CURRENT ASSETS		4,504,317	1,851,327	4,841,527	2,021,996
NON CURRENT ASSETS					
Property, plant and equipment	14	17,004	17,033	17,004	17,033
Other financial assets	12	343,890	174,000	21,187	4,001
Formation expenses		1,740	670	-	-
Exploration and evaluation expenditure	15	1,065,332	1,280,344	1,065,332	1,280,344
TOTAL NON CURRENT ASSETS		1,427,966	1,472,047	1,103,523	1,301,378
TOTAL ASSETS		5,932,283	3,323,374	5,945,050	3,323,374
CURRENT LIABILITIES					
Trade and other payables	16	138,182	198,685	131,432	198,685
Short - term provisions	17	31,212	5,101	31,212	5,101
TOTAL CURRENT LIABILITIES		169,394	203,786	162,644	203,786
NON CURRENT LIABILITIES					
Deferred tax liability	18	389,536	251,654	389,536	251,654
TOTAL NON CURRENT LIABILITIES		389,536	251,654	389,536	251,654
TOTAL LIABILITIES		558,930	455,440	552,180	455,440
NET ASSETS		5,373,353	2,867,934	5,392,870	2,867,934
EQUITY					
Issued capital	19	8,955,670	6,073,370	8,955,670	6,073,370
Reserves	20	582,301	477,500	758,110	477,500
Retained earnings	21	(4,164,618)	(3,682,936)	(4,320,910)	(3,682,936)
TOTAL EQUITY		5,373,353	2,867,934	5,392,870	2,867,934

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

Economic Entity	Ordinary shares $	Other Reserves $	Retained Earnings $	Total $
Balance at 30 June 2007	6,073,370	477,500	(3,682,936)	2,867,934
Profit / (loss) financial year 2008	-	-	(481,682)	(481,682)
Shares issued during the year	3,200,000	-	-	3,200,000
Options issued during the year	-	281,610	-	281,610
Fair value transfer to financial assets reserve	-	(176,809)	-	(176,809)
Transaction costs	(317,700)	-	-	(317,700)
Balance at 30 June 2008	8,955,670	582,301	(4,164,618)	5,373,353

Economic Entity	Ordinary shares $	Other Reserves $	Retained Earnings $	Total $
Balance at 30 June 2006	4,924,082	427,500	(3,128,481)	2,223,101
Profit / (loss) financial year 2007	-	-	(554,455)	(554,455)
Shares issued during the year	1,210,000	-	-	1,210,000
Options issued during the year	-	50,000	-	50,000
Transaction costs	(60,712)	-	-	(60,712)
Balance at 30 June 2007	6,073,370	477,500	(3,682,936)	2,867,934

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008 (cont.)

Parent Entity	Ordinary Shares $	Options $	Retained Earnings $	Total $
Balance at 30 June 2007	6,073,370	477,500	(3,682,936)	2,867,934
Profit / (loss) financial year 2008	-	-	(637,974)	(637,974)
Shares issued during the year	3,200,000	-	-	3,200,000
Options issued during the year	-	281,610	-	281,610
Fair value transfer to financial asset reserve	-	(1,000)	-	(1,000)
Transaction costs	(317,700)	-	-	(317,700)
Balance at 30 June 2008	8,955,670	758,110	(4,320,910)	5,392,870

Parent Entity	Ordinary Shares $	Options $	Retained Earnings $	Total $
Balance at 30 June 2006	4,924,082	427,500	(3,128,481)	2,223,101
Profit / (loss) financial year 2007	-	-	(554,455)	(554,455)
Shares issued during the year	1,210,000	-	-	1,210,000
Options issued during the year	-	50,000	-	50,000
Transaction costs	(60,712)	-	-	(60,712)
Balance at 30 June 2007	6,073,370	477,500	(3,682,936)	2,867,934

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Share of joint venture cash		-	-	-	-
Payments to suppliers and employees		(966,373)	(821,270)	(949,041)	(821,270)
Payment for / reduction in – security deposit		111,981	281,132	111,981	281,132
Interest received		215,224	58,466	215,224	58,466
Net cash used in operating activities	23(b)	(639,168)	(481,672)	(621,836)	(481,672)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of tenements		999,272	-	999,272	-
Exploration expenditure incurred		(278,199)	-	(278,199)	-
Payment for investments		(346,700)	(174,000)	(17,186)	(4,000)
Formation costs		-	(670)	-	-
Payment for property, plant and equipment		(10,951)	(18,246)	(10,951)	(18,246)
Net cash used in investing activities		363,422	(192,916)	692,936	(22,246)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares and options		3,162,910	1,149,287	3,162,910	1,149,287
Fair value of saleable assets		-	-	-	-
Repayment of loan		-	-	-	-
Loan to subsidiary		-	-	(1,246,846)	(170,670)
Loans to related parties		(900,000)	-	-	-
Net cash provided by financing activities		2,262,910	1,149,287	1,916,064	978,617
Net increase / (decrease) in cash held		1,987,164	474,699	1,987,164	474,699
Cash at the beginning of the financial year		1,104,213	629,515	1,104,213	629,515
Cash at the end of the financial year	9	3,091,377	1,104,214	3,091,377	1,104,214

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of AXG Mining Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 30th September 2008.

AXG Mining Limited is a Company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The principal activity of the Company is exploration for minerals.

The address of the registered office is Suite 4 16 Ord Street West Perth Western Australia 6005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authorative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(c) New accounting standards and interpretations

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2007. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the Company.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ending 30 June 2008. These are outlined in the table below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company*
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Unless the Company enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Company's financial report.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Company does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Company's financial report.	1 July 2008
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Company does not have a defined benefit pension plan and as such this interpretation is not expected to have any impact on the Company's financial report.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Company's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Company has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Company's financial report.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company*
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Company has share-based payment arrangements that may be affected by these amendments. However, the Company has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report as the Company does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Company may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Company has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company*
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	The Company does have ownership interests in subsidiaries and as such this interpretation may be expected to have an impact on the Company's financial report.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
Amendments to International Financial Reporting Standards**	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	The Company does have investments in subsidiaries, jointly controlled entities or associates and as such this interpretation may be expected to have an impact on the Company's financial report.	1 July 2009
Amendments to International Financial Reporting Standards**	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Company has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company*
IFRIC 15**	Agreements for the Construction of Real Estate	This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	The Company does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Company's financial report.	1 July 2009
IFRIC 16**	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Company does not have any investments in foreign operations and as such this interpretation is not expected to have any impact on the Company's financial report.	1 July 2009

*designates the beginning of the applicable annual reporting period unless otherwise stated

** pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB.

Notes To The Financial Statements For The Year Ended 30 June 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new accounting standard

The Company has adopted AASB 7 *Financial Instruments; Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the Company.

(d) Comparison and changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in previous years. Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(e) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(f) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the Company is Australian dollars (A$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the profit and loss statement.

(g) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Capital work-in-progress is stated at cost and comprises all costs directly attributable to bringing the assets under construction ready to their intended use. Capital work-in-progress is transferred to property, plant and equipment at cost on completion.

Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(h) Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and;

i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;

ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of 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. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the income statement or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

(i) Recoverable amount and impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment, mine properties and development and exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the balance sheet.

(k) Trade and other receivables

Trade and other receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debts.

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(i) Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(ii) Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(o) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(p) Employee benefits

(a) Share-based payment transactions

The Company may provide benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Company has one plan in place that provides these benefits. It is the Employee Share Option Plan ("ESOP") which provides benefits to all employees including directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black & Scholes model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of AXG Mining Limited (market conditions) if applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled ("the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being meet; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

During the financial years 2007 and 2008, no share based payment transaction to the benefit of employees (including directors) was enacted or carried out.

(b) Employee

The Employee option plan ("EOP") was approved by the Annual General meeting and established in November 2004.

Each option issued under the plan will be issued free of charge. The exercise price of the options granted under the EOP will be the price fixed by the board prior to the granting of the options. The options granted under the EOP may be subject to such other restrictions on exercise as may be fixed by the directors prior to the grant of the options including, without limitations, length of service by the employee and threshold prices at which shares are traded on the Australian Securities Exchange (ASX). Any restrictions so imposed by the directors must be set out on the option certificate.

The options granted under the EOP do not give right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant options. The number of shares issued on exercise of the options will be adjusted for bonus issues made prior to the exercise of the options.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the EOP, the directors may invite employees to participate in the EOP and receive options. The plan is open to employees of the Company or its subsidiaries who the board determine are entitled to participate in the EOP. the number of shares underlying options granted under the EOP are aggregated with:

a) the maximum number of shares that could be issued on exercise of unexercised EOP options and any other employee incentive share and option plan, and

b) the number of shares issued on exercise of options under the EOP and any other employee incentive share or option plan in the past 5 years, must not exceed 5% of the issued shares at the time of the granting of the options. This restriction will not prevent the Company from granting options under the EOP where a prospectus has been lodged with the Australian Investments and Securities Commission in respect of the granting of these options.

If the Company, after having granted any options under the EOP, reduces its issued share capital or subdivides or consolidates its shares, the number of shares issued to the option holder on exercise of an option will be reduced, subdivided or consolidated, as the case may be in accordance with the ASX Listing Rules.

Options granted under the EOP are not transferable.

The fair value of the options granted under the EOP is estimated at the date of the grant using the Black – Sholes option Pricing Model, applying inputs relevant to the following parameters:

Grant Date

Exercise Date

Expiry Date

Number of Options on Issue

Exercise Price

Time to Maturity

Underlying Share Price

Expected Share Volatility

Risk – Free Interest Rate

Dividend Yield

The expected life of the options is based on historical data, which may not eventuate in the future. The expected share price volatility reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No EOP options have been issued by the Company in the financial years 2007 or 2008.

(c) Superannuation plan

The Company contributes to superannuation plans in accordance with contractual and statutory requirements.

(q) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

(r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Diluted earnings per share is calculated as net profit attributable to members of the parent adjusted for:

- cost of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discriminatory changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

(u) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

During the financial years 2007 and 2008, no long service leave entitlement provision was made, based on the limited length of service of the Company's employees.

(iii) Superannuation

Contributions made by the Company to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

(v) Joint ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the company's income statement and balance sheet. Details of the company's interests are shown at note 13.

The company interests in joint venture entities are brought to account using the equity method of accounting in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Principles of consolidation

A controlled entity is any entity AXG Mining Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. Details of controlled entities are at Note 30 to the financial statements. The controlled entities have a June 30 financial year end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

(x) Financial Instruments

Recognition and Initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for the financial assets that are delivered within timeframes established by market place convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as fair value through profit and loss. Transaction costs related to instruments classified at fair value through profit and loss are expensed to profit and loss immediately. Financial instruments are classified and measured as set out below:

Derecognition

Financial assets are derecognised where the contractual rights to receive cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the assets. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference in the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non cash assets and liabilities assumed, is recognised in the profit and loss.

Financial Assets at Fair Value through Profit and Loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial instruments.

Realised and unrealised gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

Loans and receivables are non derivative financial assets with fixed or determined payments what are not quoted on an active market and are stated at amortised cost using the effective interest rate method.

Held till Maturity Assets

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held to maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available for Sale Financial Assets

Available for sale financial assets include any assets not included in the above categories. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities

Non derivative financial liabilities are recognised at amortised costs, comprising original debt less principal repayments and amortisation.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. For the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement

(y) Foreign Currency Transactions and balances

Functional and presentational Currency

The functional currency of each group entity is measured using currency of the primary consolidated environment in which the entity operates. The consolidated financial statement are presented in Australian dollars which is the parent entity's functional and presentational currency.

Group Currencies

The financial results and position of foreign operations whose foreign currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at the reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising from translation of foreign operations are transferred directly to the group's foreign translation reserve in the balance sheet. These differences are recognised in the income statement for the period.

During 2007 and 2008 financial years, the group had no exposure to foreign currency transactions and balances.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Company's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale, joint venture or some other means.

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes which would impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if the activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalise expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

ii) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black & Scholes model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities in the next annual reporting period but may impact expenses and equity.

During the financial years 2007 and 2008, no share based payment transaction to the benefit of employees (including directors) was enacted or carried out.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses

(a) Interest rate risk exposure

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, before tax losses and equity would have been affected as follows:

Financial year ended 30 June 2008	Loss after tax allowing for changes (if applicable)	Interest Income	Average interest rate - overall
Original data	$481,682	$215,224	5.43%
Interest Income positive 100 basis points	$442,237	$254,669	6.43%
Interest Income positive 50 basis points	$461,959	$234,947	5.93%
Interest Income negative 100 basis points	$511,784	$185,122	4.67%
Interest Income negative 50 basis points	$497,779	$199,127	5.02%

The movements in losses are due to possible higher or lower interest costs from cash balances. The sensitivity is lower/higher in 2008 than 2007 because of the increase in cash balances following capital raised from placements during the financial year.

Financial year ended 30 June 2007	Loss after tax allowing for changes (if applicable)	Interest Income	Average interest rate - overall
Original data	$554,455	$58,466	4.58%
Interest Income positive 100 basis points	$542,130	$70,791	5.54%
Interest Income positive 50 basis points	$548,293	$64,628	5.06%
Interest Income negative 100 basis points	$566,780	$46,140	3.61%
Interest Income negative 50 basis points	$575,157	$37,763	2.96%

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk exposure

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the Balance Sheet represents the Company's maximum exposure to credit risk in relation to those assets.

The Company trades only with recognised, credit worthy third parties and as such, based upon the credit worthiness of the third party and or the magnitude of the transaction, collateral may or may not be requested.

Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts.

There are no significant concentrations of credit risk within the Company.

(c) Liquidity risk

Trade payables mainly originate from the purchase of assets used in our ongoing operations such as property, plant, equipment and investments of working capital e.g. inventories and trade receivables. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Company monitors its expected settlement of financial assets and liabilities on an ongoing basis.

The Company monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

(d) Fair values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless other wise stated in the applicable notes.

Note		Economic Entity		Parent Entity	
		2008	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
5	**REVENUE**				
	Receipt from sale of tenements	999,272	-	999,272	-
	Interest received	215,225	58,466	215,225	58,466
	Dividend income	140	-	140	-
	Miscellaneous income	68,050	-	550	-
		1,282,687	58,466	1,215,187	58,466

Note		Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
6	**PROFIT / (LOSS) BEFORE INCOME TAX**				
	Profit / (loss) before income tax has been determined after:				
	Exploration and evaluation expenditure expensed	77,102	7,639	77,102	7,639
	Write off of capitalised exploration expenditure	211,799	-	211,799	-
	Cost of sale of tenements	281,411	-	281,411	-
	Administration expenses	605,251	200,376	584,853	200,376
	Consultants	245,262	140,000	245,262	140,000
	Depreciation of plant and equipment	10,980	2,238	10,980	2,238
	Staff costs	194,682	111,080	194,682	111,080
	Provision for diminution	-	-	109,190	-
		1,626,487	461,333	1,715,279	461,333
7	**INCOME TAX EXPENSE**				
(a)	The components of income tax expense comprise:				
	Current tax	8,221	15,885	8,221	15,885
	Deferred tax	(166,289)	135,703	(146,103)	135,703
		(158,068)	151,588	(137,882)	151,588
(b)	Prima facie income tax expense (benefit) calculated at 30% of profit / (loss) (2007: 30%)	(97,084)	(120,860)	(150,027)	(120,860)
	<u>Decrease in income tax benefit due to:</u>				
	Entertainment expenses	2,916	424	2,916	424
	Value of tenements forfeited	-	-	-	-
	Depreciation per accounts	3,294	671	3,294	671
	Taxable capital gain on tenement disposal	-	193,225	-	193,225
	Capital Expenditure	30,000	-	30,000	-
	Provision for diminution	-	-	32,757	-
	Timing difference	13,813	-	13,813	-
	Others – impairment charges	147,963	-	147,963	-
	<u>Increase in income tax benefit due to :</u>				
	Capital raising costs deducted	(38,690)	(19,038)	(38,690)	(19,038)
	Timing differences deducted	-	-	-	(19)
	Accounting gain on tenement disposal	(215,358)		(215,358)	-
	Capitalised exploration expenses	(77,099)	(37,858)	(77,099)	(37,858)
	Tax deductible depreciation	(3,294)	(661)	(3,294)	(661)
	Income tax expense / (benefit) on profit / (loss)	(233,539)	15,884	(253,726)	15,884
	Losses not brought to account	-	-	-	-
	Losses recognized for the first time	-	(15,884)	-	(15,884)
	Movement in deferred tax liability	8,221	151,588	8,221	151,588

Tax losses not recognised as utilisation not probable	549,675	-	529,490	-
Movement in deferred tax	(166,289)	-	(146,103)	-
Income tax expense / (benefit) on profit / (loss)	(158,068)	151,588	(137,882)	151,588

Note		Economic Entity		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
8	**DIVIDENDS**				

No dividends have been paid or declared in respect of the financial years 30 June 2007 and 30 June 2008

9	**CASH AND CASH EQUIVALENTS**				
	Cash at bank	3,091,376	1,104,213	3,091,376	1,104,213
10	**TRADE AND OTHE RECEIVABLES**				
	Other debtors	180,849	301,970	106,598	301,970
11	**OTHER FINANCIAL ASSETS**				
	Security deposit	332,092	444,074	332,093	444,074
12	**OTHER ASSETS**				
	Available-for-sale financial assets	343,890	175,070	1,332,647	175,740
	Held-to-maturity financial assets	-	-	-	-
	Derivative financial assets	-	-	-	-
	Loans to related corporations	900,000	-	-	-
		1,243,890	175,070	1,332,647	175,740
	Less non-current portion	(343,890)	(174,000)	(21,187)	(4,000)
	Current portion	900,000	1,070	1,311,460	171,739

Financial Assets Comprise

Current Assets

Loans to related corporations	900,000	-	1,418,699	170,000

Less: Impairment Provision	-	-	109,190	-
	900,000	-	1,309,509	170,000
Unlisted investments, at cost				
— shares in controlled entities	-	1,070	1,739	1,739
	-	1,070	1,739	1,739
Unlisted investments, at recoverable amount				
— shares in other corporations, at cost	-	-	212	-
Total financial assets current asset	900,000	1,070	1,311,460	171,739
Non Current Assets				
Listed investments, at fair value				
— shares in listed corporations	-	4,000	2,001	4,001
Investments in related corporations	520,699	170,000	-	-
Less: fair value movement	(176,809)	-	(1,000)	-
	343,890	174,000	1,001	4,001
Unlisted investments, at cost				
Investment in related corporations	-	-	20,186	-
	-	-	20,186	-
Total available-for-sale financial assets non current asset	343,890	174,000	21,187	4,001

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Management has determined that the estimate of total consolidated fair values for unlisted investments would be within the range of $20,186 to $20,186 at 30 June 2008. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required. No intention to dispose of any unlisted available-for-sale financial assets existed at 30 June 2008.

Note		Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
13	**INTEREST IN JOINT VENTURES**				

The company has a 49.9% interest in the Dalgaranga Gold Mines joint venture, the principal activity is exploration. The company's share of assets employed is as follows:

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current Assets				
Cash	10,039	10,948	10,039	10,948
Receivables	689	416	689	416
Total Current Assets	10,728	11,364	10,728	11,364
Non-Current Assets				
Exploration and evaluation expenditure	468,947	380,299	468,947	380,299
Total Non-Current Assets	468,947	380,299	468,947	380,299
Share of Total Assets of Joint Venture	479,675	391,663	479,675	391,663
Current Liabilities				
Trade creditors	3,495	3,496	3,495	3,496
Total Current Liabilities	3,495	3,496	3,495	3,496
Share of Total Liabilities of Joint Venture	3,495	3,496	3,495	3,496
Net Interest in Joint Venture	476,180	388,167	476,180	388,167

14 PROPERTY, PLANT & EQUIPMENT

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Office equipment at cost	33,518	22,567	33,518	22,567
Less accumulated depreciation	(16,514)	(5,534)	(16,514)	(5,534)
	17,004	17,033	17,004	17,033

Movements in carrying amounts

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

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Balance at the beginning of the financial year	17,033	1,024	17,033	1,024
Additions	10,951	18,246	10,951	18,246
Depreciation expense	(10,980)	(2,237)	(10,980)	(2,237)
Disposals	-	-	-	-
Write off	-	-	-	-
Carrying amount at the end of the financial year	17,004	17,033	17,004	17,033

Note		Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
15	**EXPLORATION AND EVALUATION EXPENDITURE**				
	Exploration and evaluation expenditure	1,065,332	1,280,344	1,065,332	1,280,344
	Movement in carrying amounts				
	Balance at the beginning of the period	1,280,344	1,000,000	1,280,344	1,000,000
	Capitalised expenditure this period	278,198	280,344	278,198	280,344
	Exploration expenditure - sold	(281,411)	-	(281,411)	-
	Exploration expenditure written off	(211,799)	-	(211,799)	-
	Balance at the end of the period	1,065,332	1,280,344	1,065,332	1,280,344
16	**TRADE AND OTHER PAYABLES**				
	Trade creditors	54,154	42,812	47,404	42,812
	Other creditors and accruals	84,028	155,873	84,028	155,873
		138,182	198,685	131,432	198,685
17	**SHORT-TERM PROVISIONS**				
	Annual leave	11,025	5,100	11,025	5,100
	Provision for income tax	20,186	-	20,186	-
	Mining restoration	1	1	1	1
		31,212	5,101	31,212	5,101

The mining restoration provision is based on estimated future costs, current legal requirements and current technology. Costs have been determined on an undiscounted basis. There are no prospective or retrospective changes in estimates known at this stage, nor are there significant uncertainties, assumptions or judgements in the determination of these obligations.

Note		Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
18	**DEFERRED TAX LIABILITY**				
	Deferred tax liability	389,536	251,654	389,536	251,654
19	**ISSUED CAPITAL**				
	99,750,000 fully paid ordinary shares (2007: 59,750,000)	8,955,670	6,073,370	8,955,670	6,073,370
	At beginning of reporting period	6,073,370	4,924,082	6,073,370	4,924,082
	Share issue	3,200,000	1,210,000	3,200,000	1,210,000
	Capital raising costs on issue of shares	(317,700)	(60,712)	(317,700)	(60,712)
	At reporting date	8,955,670	6,073,370	8,955,670	6,073,370

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

Note		Economic Entity		Parent Entity	
		2008	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
20	**RESERVE**				
	(a) Options Reserve				
	99,750,000 options authorised, exercise price $0.20, expiry 31/08/2008 (2007: 51,250,000)	759,110	477,500	759,110	477,500
	At beginning of reporting period	477,500	427,500	477,500	427,500
	Options issued	281,610	50,000	281,610	50,000
	At reporting date	759,110	477,500	759,110	477,500

Nature and purpose of reserve:
The options reserve is used to recognise the fair value of options granted but not exercised.

Listed options	No.	No.	No.	No.
At the beginning of the reporting period	51,250,000	42,750,000	51,250,000	42,750,000
Issued with share issue	48,500,000	8,500,000	48,500,000	8,500,000
At reporting date	99,750,000	51,250,000	99,750,000	51,250,000

Each option if exercised entitles the option holder to one fully paid share.

Employee options	No.	No.	No.	No.
At the beginning of the reporting period	-	-	-	-
Issued	-	-	-	-
Surrendered	-	-	-	-
At reporting date	-	-	-	-

(b) Fair Value Adjustment on Available for Sale Financial Assets Reserve

	Economic Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
At the beginning of the reporting period	-	-	-	-
Fair value adjustment on available for sale financial assets	(176,809)	-	(1,000)	-
At reporting date	(176,809)	-	(1,000)	-

Financial Assets Reserve
The Fair value adjustment on available for sale financial assets reserve is used to recognise the prevailing value of assets available for sale but not exercised at the end of the period.

	Economic Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
21. RETAINED EARNINGS				
Accumulated losses at beginning of the period	(3,682,936)	(3,128,481)	(3,682,936)	(3,128,481)
Net profit / (loss) attributable to members	(481,682)	(554,455)	(637,974)	(554,455)
Accumulated losses at reporting date	(4,164,618)	(3,682,936)	(4,320,910)	(3,682,936)

22. COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding commitments, which are not disclosed in the financial statements of the company as at 30 June 2007 other than:

Tenement commitments

	2008	2007
	$	$
No later than one year	413,709	986,700
Longer than one year, but not longer than five years	1,866,8310	2,253,000
Longer than 5 years	-	-

The Company intends to carry out expenditure on each project to meet Department of Industry and Resources and joint venture commitments. Future funding and / or farm –out options will be considered on an ongoing basis to ensure the Company has sufficient funds to comply with its commitments.

Subject to results obtained from such exploration as carried out and ongoing assessment of each of the Company's projects, the Company may farm – out, or relinquish its rights to earn on any or all of its projects, thereby reducing the level of commitments disclosed above.

If the Company decides to relinquish certain leases and / or does not meet its obligations, assets recognised in the balance sheet may require review to determine the appropriateness of the carrying values. The sale, transfer or farm – out of explorations rights to third parties will reduce or extinguish these obligations.

Royalty

Pursuant to an agreement dated 1 November 2002 and assigned to the company on 8 March 2004, Geoinformatics Exploration Australia Pty Ltd ("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.

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 $332,092 (2007: $444,074).

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 company's 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.

Note	Economic Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
23. NOTES TO THE STATEMENT OF CASH FLOWS				
a) Cash	3,091,377	1,104,213	3,091,377	1,104,213
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				
Profit/(Loss) after income tax	(481,682)	(554,455)	(637,974)	(554,455)
Non-cash flows in profit from ordinary activities				
Profit on sale of tenements			-	
Forgiveness of debt by parent entity	-	-	-	-
Depreciation	10,981	2,238	10,979	2,238
Write-down of exploration expenditure	211,799	(1,000,000)	211,799	(1,000,000)
Provision for diminution			109,190	
Other expenses				
Changes in Assets and Liabilities				
(Increase)/decrease in receivables	125,931	(293,817)	197,120	(293,817)
(Increase)/decrease in other assets	108,171	1,000,788	108,171	1,000,788
Increase/(decrease) in payables	(42,503)	166,853	(100,163)	166,853
(Increase / decrease in deferred exploration and	(717,858)		(717,861)	

evaluation costs				
Deferred tax movement	137,882	151,588	137,882	151,588
Increase/(decrease) in provisions & accruals	8,111	(4,867)	59,020	(4,867)
Increase/(decrease) in other non current liabilities	-	-	-	-
Cash flows from/(used) in operations	(639,168)	(481,672)	(621,836)	(481,672)

24. RELATED PARTY TRANSACTIONS

a) The direct, indirect and beneficial holdings of the directors and their director related entities in the shares of the Company as at 30 June 2008 were 10,911,381 fully paid ordinary shares and 6,679,856 options on shares (2007: 12,911,381fully paid ordinary shares and 8,679,865 options).

25. SEGMENTAL INFORMATION

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

26. 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 are likely to be held to maturity.

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

27. AUDITORS REMUNERATION

	2008 $	2007 $
Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report	38,361	31,000
- other services	-	-
	38,361	31,000

28. 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.

		2008	2007
		$	$
29.	**EARNINGS PER SHARE**		
a.	Reconciliation of earnings to net profit or loss		
	Net Profit / (Loss)	(481,682)	(554,455)
b.	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	87,037,671	48,875,000
	Basic earnings per share (cents per share)	(0.55)	(1.13)

		No	No
30.	**NUMBER OF EMPLOYEES**		
	Number of employees at reporting date.	1	2

31. COMPANY DETAILS

The registered and principal office of the Company is:
16 Ord Street
West Perth WA 6005

32. CONTROLLED ENTITIES

AXG Mining Limited holds a 100% interest in both AXG Queensland Pty Ltd and Greencode Pty Ltd. Both companies are incorporated in Australia.

AXG Queensland Pty Ltd is not trading, holds no assets nor has incurred any liabilities.

Greencode is an investment company.

DIRECTORS' DECLARATION

The directors of AXG Mining Limited declare that:

1. the financial statements and notes, as set out on pages 22 to 54 are in accordance with the Corporations Act 2001:
   a) comply with Accounting Standards and the Corporations Act 2001; and
   b) give a true and fair view of the financial position as at 30 June 2008 and performance for the year ended on that date of the Company and the economic entity;

2. the Chief Executive Officer and the Chief Finance Officer have each declared that:
   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and the notes for the financial year give a true and fair view.

3. 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:

G. A. Sklenka
DIRECTOR

Dated this 2 th day of September 2008

WHK Horwath

INDEPENDENT AUDIT REPORT TO MEMBERS OF AXG MINING LIMITED AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of AXG Mining Limited (the company) and AXG Mining Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion, the financial report of AXG Mining Limited (the company) and AXG Mining Limited and its Controlled Entities (the consolidated entity) is in accordance with the Corporations Act 2001 including:

(a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Member Horwath International
WHK Horwath Perth Audit Partnership ABN 96 844 819 235
Level 6, 256 St Georges Terrace Perth WA 6000 Australia
GPO Box P1213 Perth WA 6844 Australia
Telephone +61 8 9481 1448 Facsimile +61 8 9481 0152
Email perth@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

INDEPENDENT AUDIT REPORT TO MEMBERS OF AXG MINING LIMITED AND ITS CONTROLLED ENTITIES (CONT'D)

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of AXG Mining Limited (the company) and AXG Mining Limited and its Controlled Entities (the consolidated entity) for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Dated this 30th day of September 2008

Perth, WA

WHK Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of AXG Mining Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated this 30th day of September 2008

Member Horwath International
WHK Horwath Perth Audit Partnership ABN 96 844 819 235
Level 6, 256 St Georges Terrace Perth WA 6000 Australia
GPO Box P1213 Perth WA 6844 Australia
Telephone +61 8 9481 1448 Facsimile +61 8 9481 0152
Email perth@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

ADDITIONAL SHAREHOLDERS INFORMATION

Additional information required by the Australian Stock Exchange (ASX) listing rules as 25th September 2008

List of 20 largest shareholders

Ranking	Name	Shares Held	% of total shares
1	Merrill Lynch Aust. Nominees Pty Ltd	7,276,156	7.29
2	Tribune Resources NL	5,854,482	5.87
3	UBS Wealth Mgmt Aust. Nominees Pty Ltd	3,328,000	3.34
4	Rand Mining NL	3,125,857	3.13
5	Fay Holdings Pty Ltd	3,076,667	3.08
6	Corridor Nominees Pty Ltd	3,000,000	3.01
7	King Town Holdings Pty Ltd	3,000,000	3.01
8	WRF Securities Ltd	2,875,000	2.88
9	Icerig Pty Ltd	2,700,000	2.71
10	Clear Range Pty Ltd	1,925,000	1.93
11	RBC Dexia Investor Services Pty ltd	1,884,000	1.89
12	Arlco Austrlai Pty Ltd	1,850,000	1.85
13	Cangu Pty ltd	1,850,000	1.85
14	Mandevilla Pty Ltd	1,562,500	1.57
15	Bassett M I L and S E	1,400,000	1.40
16	Edwards Christopher Mark	1,300,000	1.30
17	Koy Pty Ltd	1,250,000	1.25
18	Walker matthew Donald	1,250,000	1.25
19	Eppae Nominees pty ltd	1,200,000	1.20
20	E C Dawson Investments Pty Ltd	1,200,000	1.20
Total of top 20 Shareholders		**50,907,662**	**51.01**

Substantial Shareholders

Name	Shares held	% of total shares
Merrill Lynch Aust. Nominees Pty Ltd	7,276,156	7.29
Tribune Resources NL	5,854,482	5.87

Distribution of shareholder's holdings

Ordinary shares held	Number of shareholders	Number of shares
1 – 1,000	-	-
1,001 – 5,000	4	13,750
5,001 – 10,000	60	597,200
10,001 – 100,000	142	7,093,491
100,001 and over	109	92,045,559
Total	315	**99,750,000**

List of 20 largest optionholders

Ranking	Name	Options Held	% of total options
1	Corridor Nominees Pty Ltd	13,387,000	12.42
2	Sumpart Pty Ltd	6,808,001	6.83
3	Sabre Power Systems Pty Ltd	4,000,000	4.01
4	Merrill Lynch Australia Nominees Pty Ltd	3,300,000	3.31
5	King town holdings Pty Ltd	3,200,000	3.21
6	Rand mining NL	2,977,428	2.98
7	Icerig Nominees Pty Ltd	2,700,000	2.71
8	RBC Dexia Investor Services Pty Ltd	2,503,400	2.51
9	Tribune Resources NL	2,502,428	2.51
10	Fay Holdings Pty Ltd	2,410,000	2.42
11	Walker Graham G and T J <Walker Super Fund>	2,300,000	2.31
12	Walker Graham G and T J	2,050,000	2.06
13	Arlco Australia Pty Ltd	2,000,000	2.01
14	Koy Pty Ltd	1,953,450	1.96
15	Cangu Pty Ltd	1,950,000	1.95
16	UBS Wealth Mgmt. Australia Nominees Pty Ltd	1,925,000	1.93
17	Jem Nominees Pty Ltd	1,653,406	1.66
18	Mandevilla Pty Ltd	1,562,500	1.57
19	Terrabyte Computer Products	1,500,000	1.50
20	Grazian Pty Ltd	1,300,000	1.30
Total of top 20 option holders		**60,982,613**	**61.16**

Substantial option holders

Name	Option held	% of total option
Corridor Nominees Pty Ltd	13,387,000	12.42
Sumpart Pty Ltd	6,808,001	6.83

Distribution of optionholder's holdings

Ordinary options held	Number of optionholders	Number of options
1 – 1,000	1,429	-
1,001 – 5,000	78,853	.08
5,001 – 10,000	865,939	.87
10,001 – 100,000	12,480,507	12.51
100,001 and over	86,323,272	86.54
Total	**99,750,000**	**100.00**

Enquiries

Shareholders with any enquiries about any aspect of their shareholding should contact the Company's share register as follows:

Security Transfer Registrars Pty Ltd

Tel: +61 8 9315 2333
Fax: +61 8 9315 2233
Web: www.securitytransfer.com.au

Electronic Announcements and Report;

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half yearly Report, are invited to provide their e mail address to the Company. This can be done in writing to the Company Secretary.

Removal from the Printed Annual Report mailing list

Shareholders who do not wish to receive the Annual report should advise the Share Registry in writing to remove their names from the mailing list. Those shareholders will continue to receive all shareholder information.

Change of name / address

Shareholders who are Issue Sponsored should advise the Share registry promptly of any changes of name and / or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted via telephone. Forms can be found on the share Registry website or obtained by contacting the Share registry.

Shareholders who are in CHESS and Brokered Sponsored should instruct their sponsoring brokers in writing to notify the Share Registry of any changes of name and / or address.

In the case of a name change, the written advice must be supported by documentary evidence.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

Stock Exchange Listing

The Company's shares are listed on the ASX. Details of share transactions and prices published in the financial papers of the daily capital city newspapers under the code AXC.

Registered Office

The registered office of the company is:	AXG Mining Limited 1171 Hay Street WEST PERTH WA 6005
Telephone	+61 8 9481 1144
Fax	+61 8 9481 1155
E mail	admin@axgmining.com.au
Website	www.axgmining.com.au
Company Secretary	Roland Berzins

Mining Tenement Schedule

Project	Tenement	Blocks	Ha	Grant Date	Expiry Date	Holder	Interest - AXG
Wongan Hills "Kalguddering"	E70 / 2927	36		10/05/2007	09/05/2012	Foynes & Slater	100%
Merredin	E70 /2947	25		10/05/2007	09/05/2012	Foynes & Slater	100%
Gum Well "Mt Ida"	E29/601	8		21/12/2006	20/12/2011	Foynes & Slater	100%
Lake Raeside-Lake Barlee "Mt Ida"	E29 / 602	29		21/12/2006	20/12/2011	Foynes & Slater	100%
Dalgaranga JV	M59 / 293		403.3	22/09/1993	21/09/2014	AXG 499 EQU 501	49.9%
Dalgaranga JV	M59 / 311		977.7	09/03/1994	08/03/2015	AXG 499 EQU 501	49.9%
Dalgaranga JV	M59 / 312		971	09/03/1994	08/03/2015	AXG 499 EQU 501	49.9%
Dalgaranga JV	M59 / 353		489.7	28/11/1995	27/11/2016	WRF 499 EQU 501	49.9%
Western Queen	E59 / 1119	3		29/11/2004	29/11/2009	AXG Mining Ltd	100%
Western Queen	E59 / 1128	11		31/10/2005	30/10/2010	AXG Mining Ltd	100%
Western Queen	E59 / 1130	1		08/03/2005	07/03/2010	AXG Mining Ltd	100%
Western Queen	M59 / 207		996.5	17/12/1990	16/12/2011	AXG Mining Ltd	100%
Western Queen	M59 / 350		466.6	01/09/1994	31/08/2015	AXG Mining Ltd	100%
Western Queen	M59 / 50		98.0	17/09/1987	16/09/2008	AXG Mining Ltd	100%
Western Queen	L59 / 36		27.4	21/03/1996	20/03/2011	AXG Mining Ltd	100%
Western Queen	L59 / 38		27.8	30/05/1996	29/05/2011	AXG Mining Ltd	100%
Western Queen	L59 / 42		9.8	28/11/1996	27/11/2011	AXG Mining Ltd	100%