AXG MINING LIMITED

ABN 93 092 304 964

AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 December 2009

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DIRECTORS' REPORT

Your directors present their report on AXG Mining Limited for the half-year ended 31 December 2009.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Mr. Gordon Sklenka

Mr Roland Berzins

Mr A Bajada

REVIEW AND RESULTS OF OPERATIONS

The loss of the consolidated entity after income tax for the half-year ended 31 December 2009 amounted to $228,384. (Half year ended 31 December 2008: loss $274,249).

SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the half year period 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 future financial periods other than as discussed below.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditors Independence Declaration for the half year ended 31 December 2009 under section 307C of the Corporations Act 2001 is set out on page 4.

This report is signed in accordance with a resolution of the Board of Directors.

R Berzins

Director

Dated this 12th day of March 2010

Perth, Western Australia.

WHK Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of AXG Mining Limited and its Controlled Entities for the half-year ended 31 December 2009, 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

Nicholas Hollens

NICHOLAS HOLLENS
Principal

Perth, WA

Dated this 12th day of March 2010

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AXG MINING LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED GROUP	
	31 DECEMBER 2009 $	31 DECEMBER 2008 $
Revenues from ordinary activities	307,090	182,262
Employee benefit expenses	(11,119)	(9,200)
Consulting fees	(116,551)	(114,705)
Compliance and regulatory expenses	(22,013)	(43,381)
Exploration expenses written off as incurred	(26,069)	(9,110)
Occupancy costs	(19,798)	(21,437)
Depreciation and amortisation expense	(29,755)	(7,450)
Director fees	(36,667)	(45,000)
Administrative expenses	(206,363)	(205,363)
Interest expense	(868)	(865)
Share associates loss	(52,200)	-
Loss on Options	(2,415)	-
MAPP project costs	(12,106)	-
(Loss) before income tax expense	(228,834)	(274,249)
Income tax benefit	-	-
(Loss) attributable to members of the parent entity	(228,834)	(274,249)
Other Comprehensive income		
Net changes in the fair value of available - for - sale financial assets	(39,476)	190,626
Total comprehensive loss for the period	(268,310)	(83,623)
Basic and diluted (loss) per share (cents)	(0.26)	(0.08)

AXG MINING LIMITED
CONSOLIDATIED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2009

	Consolidated group	
	31 December 2009 $	30 June 2009 $
CURRENT ASSETS		
Cash and cash equivalents	151,612	118,793
Trade and other receivables	65,539	258,053
Financial assets	2,158,504	2,482,422
Other current assets	-	-
TOTAL CURRENT ASSETS	2,375,655	2,859,268
NON CURRENT ASSETS		
Property, plant and equipment	36,085	61,707
Investment accounted for using equity method	1,049,682	1,101,881
Formation expenses	1,740	1,740
Exploration and evaluation expenditure	893,259	893,259
Other financial assets	607,689	348,661
TOTAL NON CURRENT ASSETS	2,588,454	2,407,248
TOTAL ASSETS	4,964,109	5,266,516
CURRENT LIABILITIES		
Trade and other payables	143,764	162,167
Short - term provisions	17,070	32,764
TOTAL CURRENT LIABILITIES	160,834	194,931
TOTAL LIABILITIES	160,834	194,931
NET ASSETS	4,803,275	5,071,585
EQUITY		
Issued capital	9,455,670	9,455,670
Reserves	751,333	790,809
Accumulated losses	(5,403,728)	(5,174,894)
TOTAL EQUITY	4,803,275	5,071,585

The accompanying notes form part of these financial statements.

AXG MINING LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED
31 DECEMBER 2009

Economic Entity	**Ordinary Shares**	**Other Reserves**	**Accumulated Losses**	**Financial Assets Reserve**	**Total**
	$	$		$	$
Balance at 30 June 2009	9,455,670	785,910	(5,174,894)	4,899	5,071,585
Loss attributed to members of parent entity	-	-	(228,834)	-	(228,834)
Fair value transfer to financial assets reserve	-	-	-	(39,476)	(39,476)
Balance as at 31 December 2009	9,455,670	785,910	(5,403,728)	(34,577)	4,803,275

Economic Entity	**Ordinary Shares**	**Other Reserves**	**Accumulated Losses**	**Financial Assets Reserve**	**Total**
	$	$		$	$
Balance at 30 June 2008	8,955,670	759,110	(3,775,081)	(566,346)	5,373,353
Loss attributed to members of parent entity	-	-	(274,249)	-	(274,249)
Fair value transfer to financial assets reserve	-	-	-	190,626	190,626
Balance as at 31 December 2008	8,955,670	759,110	(4,049,330)	(375,720)	5,289,730

The accompanying notes form part of these financial statements

AXG MINING LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Group	
	Half Year Ended 31 December 2009 $	Half Year Ended 31 December 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	(126,625)	(435,905)
Interest received	7,629	87,484
Profit on sale of shares	193,962	-
Dividends received	-	140
Net cash provided by/(used in) operating activities	74,966	(348,281)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	222,985	-
Purchase of property, plant and equipment	(4,132)	(22,046)
Exploration expenditure incurred	-	(27,564)
Net cash provided by/(used in) investing activities	218,853	(49,610)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	-	-
Cost of capital raising	-	-
Advances to other entities	(261,000)	(763,484)
Net cash provided by financing activities	(261,000)	(763,484)
Net increase / (decrease) in cash held	32,819	(1,161,375)
Cash and cash equivalents at the beginning of the period	118,793	3,091,377
Cash and cash equivalents at the end of the period	151,612	1,930,002

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial statements are a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards, including Accounting Standard AASB 134: Interim Financial Reporting, and Australian Accounting Interpretations and other mandatory professional reporting requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting.'

It is recommended that the half-year financial report be read in conjunction with the annual financial report of AXG Mining Limited as at 30 June 2009 and any public announcements made by AXG Mining Limited during the half – year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

Accounting Standards not previously applied

The company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the board of directors. In this regard, such information is provided using similar measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position

Reporting Basis and Conventions

The half year report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied

NOTE 2: LOSS FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31 December 2009	31 December 2008
	$	$
Net gain from sale of tenements	-	-
Interest received	35,985	182,122
Profit on sale of shares	193,962	-
Gains on options held	77,143	-
Dividend received	-	140
Total	307,090	182,262

NOTE 3: SEGMENT INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company currently operates in one business segment and geographical segment being mineral exploration in Australia. The Company is currently investigating opportunities for investment in the mining and exploration business segment. The financial information presented in the statement of comprehensive income and the consolidated statement of financial position is the same as is provided to the chief operating decision maker.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

NOTE 4: ISSUANCES, REPURCHASES AND REPAYMENT OF EQUITY SECURITIES

Ordinary Shares	**31 December 2009 $**	**31 December 2008 $**
At the beginning of the period	9,455,670	8,955,670
Issued shares	-	-
Transaction costs arising from capital raisings	-	-
At the end of the period	9,455,670	8,955,670

Ordinary Shares	**31 December 2009** No of Shares	**31 December 2008** No of Shares
At the beginning of the period	109,750,000	99,750,000
Issued shares	-	-
At the end of the period	109,750,000	99,750,000

Options Reserve	**31 December 2009 $**	**31 December 2008 $**
At the beginning of the period	785,910	759,110
Options issued	-	-
At the end of the period	785,910	759,110

Options Reserve	**31 December 2009** No of Options	**31 December 2008** No of Options
At the beginning of the period	102,250,000	99,750,000
Options issued	-	-
At the end of the period	102,250,000	99,750,000

NOTE 5: CONTINGENT LIABILITIES

Since the last annual reporting date, there has been no change of any contingent liabilities.

NOTE 6: SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the half year period 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 future financial periods.

NOTE 7: DIVIDENDS

No dividends have been paid or declared in respect of the half year ended 31 December 2009.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 12
   a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   b. give a true and fair view of the economic entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date.

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

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

R Berzins
Director
Dated this 12th day of March 2010

WHK Horwath

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AXG MINING LIMITED AND ITS CONTROLLED ENTITIES

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of AXG Mining Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of AXG Mining Limited and its Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AXG Mining Limited and its Controlled Entities is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP

Nicholas Hollens

NICHOLAS HOLLENS
Principal

Perth, WA

Dated this 12th day of March 2010

Total Financial Solutions

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