

**AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964**

AXG MINING LIMITED

ABN 93 092 304 964

AND CONTROLLED ENTITIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 December 2012**

Contents	Page
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10
DIRECTORS' DECLARATION	16
AUDITOR'S INDEPENDENT REVIEW REPORT	17

DIRECTORS' REPORT

Your directors present their report on AXG Mining Limited for the half-year ended 31 December 2012.

DIRECTORS

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

Mr Alex Bajada - Appointed 13 February 2007 – resigned 19 December 2012

Mr Gordon Sklenka - Appointed 16 February 2005

Mr Roland Berzins - Appointed 15 December 2005

Mr Le Page - Appointed 19 December 2012

REVIEW AND RESULTS OF OPERATIONS

The profit of the consolidated entity after income tax for the half-year ended 31 December 2012 amounted to \$10,906 (Half year ended 31 December 2011: loss of \$925,976).

SUBSEQUENT EVENTS

In March 2013, the Company announced that it was in the process of negotiating options (Options) to acquire three exploration licenses/exploration license applications (Licences) from XTL Energy International Ltd (XTL), (Transaction).

A summary of the terms of the Transaction is below:

- (a) Option: It is proposed that AXG will be granted an option to acquire a 100% interest in each of EL63/1547 (Mt Ridley), EL63/1564 (Mt Ridley E-W) and EL63/1617 (Mt Ridley N).
- (b) Option Period: The option period will extend for 12 months from the date of granting of EL63/1547, EL63/1564 and EL63/1617 respectively. The Option(s) can be extended for a further 6 months (on any tenement) from the date of expiry.
- (c) Option Fee: An option fee of A\$35K in cash and A\$25K in AXG shares is payable to XTL.
- (d) Consideration on Exercise of Option: The consideration payable on exercise of the Option(s) would be:
 - (i) EL63/1547: 250 million AXG Shares;
 - (ii) EL63/1564: 100 million AXG Shares; and
 - (iii) EL63/1617: 100 million AXG Shares.

The shares are to be issued at a deemed issue price of A\$0.002 per AXG share. The shares are to be issued within 60 days from exercise of the Option(s). The Option(s) can be exercised over any/all of the tenements at any time 12 months from the date of grant of the relevant tenement(s).

- (e) Fee: A fee of 65 million AXG shares (A\$135,000) and 12 million AXG options is payable by AXG to Corporate Advisers on execution of the Option agreement.

AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964

The Transaction will be subject to the following conditions precedent:

- (a) XTL obtaining board approval to transfer the Licences to the Company;
- (b) XTL obtaining all necessary approvals or consents that may be required from the Government of Western Australia and any relevant regulatory authority to transfer the Licences to the Company;
- (c) AXG obtaining board approval for the Transaction; and
- (d) AXG obtaining all required shareholder approvals for the Transaction.

On 12th March 2013, the Company announced that it has signed an LOI with Canadian shell company OutdoorPartner Media Corp. (TSX-V: OPX.H) ("OPX") and unlisted Canadian company Bay Minerals Inc. ("Bay") to merge the companies and list the Resultant Issuer on TSX-V.

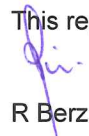
The LOI has a number of conditions precedent including:

- Bay to raise up to C\$1.5m via subscription receipts to satisfy listing requirements of the TSX-V;
- Shareholder Approval and any regulatory approvals for OPX;
- Regulatory and shareholder approval (if required) for AXG;
- TSX-V regulatory approvals;
- OPX to prepare and file a long form prospectus with the Ontario Securities Commission ("OSC")
- AXG to own approximately 40% of TSX-V company shares;
- AXG directors to have two of three total board seats;
- AXG continue to evaluate other exploration opportunities

AUDITOR'S INDEPENDENCE DECLARATION

The Auditors Independence Declaration for the half year ended 31 December 2012 under section 307C of the Corporations Act 2001 is set out on page 5.

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


R Berzins
Director

Dated this 15th day of March 2013
Perth, Western Australia.

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of AXG Mining Limited

As auditor for the review of AXG Mining Limited for the period ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens
Perth
15 March 2013

**AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964**

**AXG MINING LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED
31 DECEMBER 2012**

	Note	Consolidated Group	
		31 DECEMBER 2012 \$	31 DECEMBER 2011 \$
Interest revenue		18,936	17,412
Debts forgiven	2	454,374	-
Employee benefit expenses		(2,180)	(8,399)
Consulting fees		(104,510)	(301,377)
Compliance and regulatory expenses		(32,738)	(46,065)
Exploration expenses		(715)	(14,695)
Occupancy costs		(165,000)	(165,000)
Director fees		(34,500)	(35,000)
Administrative expenses		(50,639)	(350,350)
Impairment expense – investments		(19,761)	-
Impairment expense – loans receivable		(52,361)	-
Doubtful debt expense		-	(22,502)
Profit/(loss) before income tax expense		10,906	(925,976)
Income tax benefit		-	-
Profit/(loss) attributable to members of the parent entity		10,906	(925,976)
Other Comprehensive income		-	-
Total comprehensive income for the period		10,906	(925,976)
Basic and diluted gain/(loss) per share (cents)		0.0021	(0.40)

The accompanying notes form part of these financial statements.

**AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964**

**AXG MINING LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Note	Consolidated Group	
		31 December 2012	30 June 2012
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,041	21,187
Trade and other receivables		-	62,866
TOTAL CURRENT ASSETS		<u>2,041</u>	<u>84,053</u>
NON CURRENT ASSETS			
Financial assets		419,681	420,511
Other assets		15,433	1,740
Exploration and evaluation	4	1,812,000	1,862,000
TOTAL NON CURRENT ASSETS		<u>2,247,114</u>	<u>2,284,251</u>
TOTAL ASSETS		<u>2,249,155</u>	<u>2,368,304</u>
CURRENT LIABILITIES			
Trade and other payables		256,175	715,391
Provisions		27,848	27,828
Borrowings		235,193	-
TOTAL CURRENT LIABILITIES		<u>519,216</u>	<u>743,219</u>
TOTAL LIABILITIES		<u>519,216</u>	<u>743,219</u>
NET ASSETS		<u>1,729,939</u>	<u>1,625,085</u>
EQUITY			
Issued capital	5	13,502,355	13,408,407
Reserves		(124,616)	(124,616)
Accumulated losses		(11,647,800)	(11,658,706)
TOTAL EQUITY		<u>1,729,939</u>	<u>1,625,085</u>

AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964

AXG MINING LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED
31 DECEMBER 2012

Consolidated Group	Issued Capital	Accumulated Losses	Financial Assets Reserve	Total
	\$	\$	\$	\$
Balance at 30 June 2012	13,408,407	(11,658,706)	(124,616)	1,625,085
Share capital issued during the period	105,126	-	-	105,126
Profit and other comprehensive income attributable to members of the parent entity	-	10,906	-	10,906
Cost of share capital	(11,178)	-	-	(11,178)
Balance as at 31 December 2012	13,502,355	(11,647,800)	(124,616)	1,729,939

Consolidated Group	Issued Capital	Accumulated Losses	Financial Assets Reserve	Total
	\$	\$	\$	\$
Balance at 30 June 2011	10,518,062	(9,205,572)	(124,520)	1,187,970
Share capital issued during the period	570,000	-	-	570,000
Profit / (loss) and other comprehensive income attributable to members of the parent entity	-	(925,976)	-	(925,976)
Cost of share capital	(5,500)	-	-	(5,500)
Balance as at 31 December 2011	11,082,562	(10,131,548)	(124,520)	826,494

The accompanying notes form part of these financial statements.

**AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964**

**AXG MINING LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED
31 DECEMBER 2012**

	Consolidated Group	
	Half Year Ended 31 December 2012	Half Year Ended 31 December 2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(93,167)	(705,726)
Interest received	5	6,446
Other income	-	10,966
	<hr/>	<hr/>
Net cash used in operating activities	(93,162)	(688,314)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	24,827
(Purchase) of investments	-	(13,322)
	<hr/>	<hr/>
Net cash provided by investing activities	-	11,505
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	413,000
Proceeds from borrowings	85,194	-
Cost of capital raising	(11,178)	(5,500)
Repayment of loan to related party	-	(34,948)
	<hr/>	<hr/>
Net cash provided by financing activities	74,016	372,552
Net cash provided by / (used in) financing activities	(19,146)	(304,257)
Cash and cash equivalents at the beginning of the period	21,187	483,504
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	2,041	179,247

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 8, 101, 107, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of these amendments have not had any impact on the amounts reported in these consolidated financial statements for the current or prior periods.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012 – (CONT.)**

Reporting Basis and Conventions

These consolidated financial statements have 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.

Going concern

These consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation and settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net profit after tax of \$10,906 (2011: loss \$925,976) and experienced net cash outflows from operations of \$93,161. As at 31 December 2012, the consolidated financial statements had cash of \$2,041 and trade and other payables of \$256,175.

The Directors recognise that the ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the Group securing additional funding.

Should the Group be unable to source additional funds, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

NOTE 2: DEBTS FORGIVEN

During the period to 31 December 2012, various amounts owed to key management personnel and their related entities were forgiven.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012 – (CONT.)**

NOTE 3: SEGMENT INFORMATION

The Group 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 Group currently operates in one business segment and geographical segment being mineral exploration in Australia. The Group is currently investigating opportunities for investment in alternate mining and exploration business segments. 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

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 Group.

NOTE 4: EXPLORATION AND EVALUATION

The carrying value of exploration and evaluation assets of \$1,812,000 as at 31 December 2012 relates to assets held by the Group's 100% subsidiary Halston Exploration Inc, which holds the rights to earn interests in areas of interest in Peru that are considered to be prospective for copper-gold.

Recovery of the carrying amount is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

AXG MINING LIMITED
AND CONTROLLED ENTITIES
ABN 93 092 304 964

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012 – (CONT.)

NOTE 5: ISSUED CAPITAL

Ordinary Shares	31 December 2012	31 December 2011
	\$	\$
At the beginning of the period	13,408,407	10,518,062
Issued shares	-	413,000
Costs of issue	(11,178)	(5,500)
Share based payment (i)	105,126	157,000
At the end of the period	<u>13,502,355</u>	<u>11,082,562</u>

Ordinary Shares	31 December 2012	31 December 2011
	No of Shares	No of Shares
At the beginning of the period	518,132,597	219,500,000
Share based payment (i)	15,000,000	61,277,775
At the end of the period	<u>533,132,597</u>	<u>280,777,775</u>

(i) Shares issued to settle amounts owed to Lara Exploration Inc. associated with the Group's acquisition of Halston Exploration Inc. in the year to 30 June 2012

As at 31 December 2012 there were Nil options on issue.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012 – (CONT.)**

NOTE 6: CONTINGENT LIABILITIES

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

NOTE 7: SUBSEQUENT EVENTS

In March 2013, the Company announced that it was in the process of negotiating options (Options) to acquire three exploration licenses/exploration license applications (Licences) from XTL Energy International Ltd (XTL), (Transaction).

A summary of the terms of the Transaction is below:

- (a) Option: It is proposed that AXG will be granted an option to acquire a 100% interest in each of EL63/1547 (Mt Ridley), EL63/1564 (Mt Ridley E-W) and EL63/1617 (Mt Ridley N).
- (b) Option Period: The option period will extend for 12 months from the date of granting of EL63/1547, EL63/1564 and EL63/1617 respectively. The Option(s) can be extended for a further 6 months (on any tenement) from the date of expiry.
- (c) Option Fee: An option fee of A\$35K in cash and A\$25K in AXG shares is payable to XTL.
- (d) Consideration on Exercise of Option: The consideration payable on exercise of the Option(s) would be:
 - (i) EL63/1547: 250 million AXG Shares;
 - (ii) EL63/1564: 100 million AXG Shares; and
 - (iii) EL63/1617: 100 million AXG Shares.

The shares are to be issued at a deemed issue price of A\$0.002 per AXG share. The shares are to be issued within 60 days from exercise of the Option(s). The Option(s) can be exercised over any/all of the tenements at any time 12 months from the date of grant of the relevant tenement(s).

- (e) Fee: A fee of 65 million AXG shares (A\$135,000) and 12 million AXG options is payable by AXG to Corporate Advisers on execution of the Option agreement.

The Transaction will be subject to the following conditions precedent:

- (f) XTL obtaining board approval to transfer the Licences to the Company;
- (g) XTL obtaining all necessary approvals or consents that may be required from the Government of Western Australia and any relevant regulatory authority to transfer the Licences to the Company;
- (h) AXG obtaining board approval for the Transaction; and
- (i) AXG obtaining all required shareholder approvals for the Transaction.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012 – (CONT.)**

NOTE 7: SUBSEQUENT EVENTS (CONT.)

On 12th March 2013, the Company announced that it has signed an LOI with Canadian shell company OutdoorPartner Media Corp. (TSX-V: OPX.H) ("OPX") and unlisted Canadian company Bay Minerals Inc. ("Bay") to merge the assets by acquiring Halston Exploration Inc from the parent company which holds the exploration tenements in Peru, and list the Resultant Issuer on TSX-V.

The LOI has a number of conditions precedent including:

- Bay to raise up to C\$1.5m via subscription receipts to satisfy listing requirements of the TSX-V;
- Shareholder Approval and any regulatory approvals for OPX;
- Regulatory and shareholder approval (if required) for AXG;
- TSX-V regulatory approvals;
- OPX to prepare and file a long form prospectus with the Ontario Securities Commission ("OSC")
- AXG to own approximately 40% of TSX-V company shares;
- AXG directors to have two of three total board seats;
- AXG continue to evaluate other exploration opportunities

Other than the above-mentioned, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial year.

DIRECTORS' DECLARATION

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 6 to 15
 - 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 Group's financial position as at 31 December 2012 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 Group 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 15th day of March 2013

Independent Auditor's Review Report

To the members of AXG Mining Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of AXG Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of AXG Mining Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 AXG Mining Limited's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AXG Mining Limited, 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 have 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 is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the AXG Mining Limited 's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - Inherent uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 1, which outlines that the ability of the Group to continue as a going concern and pay its debts as and when they fall due is dependent on the ability of the Group securing additional funding.

As a result there is material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, and therefore whether it will realise its asset and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



Somes Cooke



Nicholas Hollens

15 March 2013

Perth
Western Australia