



*First Quarter Report*

*Three Months Ended March 31, 2005*

***growth  
through  
discovery***

*AXMIN Inc. (TSX-V: AXM)  
a gold exploration company,  
offers dynamic growth with  
a track-record of finding mines  
in Africa. AXMIN's management  
team is committed to creating  
shareholder value through  
new gold discoveries within its  
highly prospective properties  
across central and west Africa.*

**Report to Shareholders**

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*First Quarter 2005 Highlights*

- **Central African Republic** (Passendro project area, Bambari Permits)
  - discovery of three new gold mineralised zones
  - drill results announced included 5.7 g/t Au over 12 metres, 4.2 g/t Au over 11 metres and 2.7 g/t Au over 13 metres
- **Mali** (Kofi Project)  
Drill results announced included 4.5 g/t Au over 52.2 metres, 6.2 g/t Au over 39 metres, 19.8 g/t Au over 4 metres and 2.3 g/t Au over 25.1 metres
- **Equity financing**  
Successful closing of a brokered private placement for gross proceeds of Cdn\$8.030 million

During the first quarter 2005 exploration and development expenditure was US\$2.327 million, contributing to cumulative capitalized carrying value of US\$21.515 million. Of the exploration expenditure incurred during the three months ended March 31, 2005 US\$1.698 million related to the Bambari Permits in the Central African Republic.

As at March 31, 2005 the Company had cash resources of US\$5.875 million and a surplus of working capital which amounted to US\$5.010 million. This excludes the proceeds from the conditional sale of the Bouroum Permit gold reserves in Burkina Faso for a total consideration of US\$3.3 million. As at the date of this report the issuance of an exploitation permit over the Bouroum Permit reserves is awaited and accordingly the sale of the Bouroum Permit reserves has not yet been recognised in the Company's financial statements.

*Central African Republic*

The program focus of the ongoing US\$5.4 million exploration program at *Bambari* is currently at the Passendro project area where the drilling is being directed both towards the conversion of the previously announced inferred resources to higher resource grade categories and to the definition of indicated resources at other recent discoveries in the same area. The two wholly-owned reverse circulation (RC) rigs and the two wholly-owned diamond core rigs have completed 19,500 metres of RC and 3,700 metres of core drilling respectively since mid January 2005. It is expected that this phase of the program will be completed during the second quarter 2005, whereupon an independent resource estimate will be prepared and the new resource figures will be announced. These rigs will then commence testing the further target sites recently identified from geochemistry and mapping.

Ongoing exploration success justifies the substantial budget, with AXMIN's primary goal being the establishment of sufficient resources at Passendro to initiate a pre-feasibility study. It is AXMIN's belief that the Bambari gold belt is capable of supporting a significant gold mining operation, with ore drawn from several sites feeding into a central processing facility. To that end AXMIN recently awarded Golder Associates (UK) Ltd a contract to undertake an environmental scoping study reflecting our commitment to fast track exploration towards development.

The infill resource drilling is being undertaken at 40 metre line spacing to a maximum depth of 100 metres in order to define the shallow oxide portion of the mineralisation. Much of this oxidised material is soft and could be amenable to low cost mining without significant drilling and blasting, with gold potentially recovered through a combination of gravity and cyanidation.

AXMIN recently hosted a visit to its exploration site by the country's President, the Minister of Mines and other cabinet colleagues. The President, the Minister of Mines and local administration officers expressed strong public support for AXMIN's activities at Bambari and an understanding of the important social and economic benefits that will accrue to the country through the development of a gold mining industry. The government has invited AXMIN to submit its proposals for a "Mining Convention" which will establish the fiscal and legal framework under which the future mining operation and continuing exploration will operate and has promised to expedite these negotiations. Such mining conventions are an important and

**Report to Shareholders**

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standard part of mining operations in Francophone Africa and typically provide the security of tenure and fixed conditions of operation for the life of a project.

At *Pouloubou*, located about 150 km southeast of Bambari, follow up soil sampling of the previous reconnaissance grid has more closely defined three initial targets (>50 ppb gold in soil), ranging in length from 1,500-2,500 metres, which will be tested by shallow reconnaissance rotary air blast ("RAB") drilling in the current quarter.

*Mali*

During the first quarter 2005 the Company announced the results of a follow up phase of drilling at the *Kofi Project* which included 4.5 g/t Au over 52.2 metres, 6.2 g/t Au over 39 metres, 19.8 g/t Au over 4 metres and 2.3 g/t Au over 25.1 metres. The drilling was designed to follow up on last season's discovery hole (reported June 1, 2004) of 11.6 g/t Au over 31 metres.

The Kofi Project is a joint venture with a subsidiary of Newmont Mining Corporation, whereby Newmont may earn 50% of AXMIN's interest by funding a US\$5.5 million exploration program within a three year period to September 2006. Thereafter Newmont may elect to earn an additional 25% of AXMIN's interest by carrying all expenditures through to the completion of a bankable feasibility study. The joint venture is currently midway through its second year, with a requirement for Newmont to spend a balance of US\$1.5 million before October 1, 2005.

Drilling has tested gold mineralisation to a maximum vertical depth of 125 metres over a strike length of 250 metres. At least two parallel mineralised structures are identified, located within 50 metres of each other. Drilling to date has not fully resolved the geometry of this mineralisation. Interpretation of the results is ongoing and structural models will be tested by a follow up program planned for the second quarter of 2005.

The Company has observed that the strength of the gold mineralisation is not dissimilar to that announced as currently being explored at deeper levels beneath the planned open pits at the nearby Loulo development of Randgold Resources.

The current program is directed towards the identification of new mineralised zones beneath the masking "cuirasse" (laterite) ground cover and further drilling both along strike and at depth at the Zone C prospect, the planned work program also includes ground geophysical surveys.

*Equity financing*

During the first quarter 2005 the Company successfully closed a brokered private placement of 13,383,467 Units at a price of Cdn\$0.60 per Units for total gross proceeds of Cdn\$8,030,080.20 (the "Offering"). Each Unit consists of one common share plus one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of AXMIN at a price of Cdn\$0.75 expiring on September 5, 2006. The management of the Company was encouraged that the original offering was fully subscribed and that the greenshoe option granted to the agent for the offering was fully exercised with the result of increasing the size of the Offering.

**AXMIN Inc.**

**Report to Shareholders**

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AXMIN continues to be committed to further growth with the objective of providing added value to shareholders and to the countries in which it operates through new discoveries and developments.

For more information regarding AXMIN visit our website at [www.axmininc.com](http://www.axmininc.com).

A handwritten signature in black ink, appearing to read 'Jonathan Forster'. The signature is fluid and cursive, with a large initial 'J' and 'F'.

Dr. Jonathan Forster  
*Chief Executive Officer & Director*

May 26, 2005

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

*(All tabular amounts stated in thousands of United States dollars unless otherwise indicated and except per share amounts)*

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### **Overview**

AXMIN Inc. ("AXMIN", the "Company") is an international mineral exploration company with a substantial exploration portfolio in the mineral belts of central and west Africa. The Company is in its development stage and it is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. To date the Company has raised funds to explore its mineral properties principally through the issuance of shares. In the foreseeable future the Company will remain dependent on the issuance of further shares to raise funds to explore its properties. In addition the success of the Company will be influenced by a number of factors including environmental risks, and legal and political risks.

The costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related project are reclassified as mining assets and amortized on a unit of production method. If it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated life of the property, or the project is sold or abandoned, the project is written down to its net realizable value.

The recoverability of amounts recorded for exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development, and future profitable production or proceeds from the disposition thereof. The amounts shown as exploration and development costs do not necessarily represent present or future values.

The sale of the Bouroum Permit gold reserves in Burkina Faso for a total consideration of US\$3.3 million is contingent upon and subject to government approvals. As at the date of this report the issuance of an exploitation permit over the Bouroum Permit reserves is awaited and accordingly the sale of the Bouroum Permit reserves has not been recognised in the consolidated financial statements of the Company for the three months ended March 31, 2005.

As at March 31, 2005 the Company had capitalized US\$21.515 million of exploration and development costs. The comparative figure as at December 31, 2004 was US\$19.206 million.

Effective January 1, 2005, the Company adopted the recommendations (AcG-15) issued by The Canadian Institute of Chartered Accountants dealing with Variable Interest Entities ("VIE"). AcG-15 details the requirements on the consolidation of VIEs. VIEs include entities where the equity invested is considered insufficient to finance the entity's activities without additional subordinated financial support from other parties. AcG-15 requires the Company to consolidate VIEs if the investment it holds in those entities and / or the relationship it has with them result in it being exposed to a majority of their expected losses, being able to benefit from a majority of their expected residual returns, or both.

As a result of adopting AcG-15 there was no impact on the consolidated balance sheet as at March 31, 2005 and the consolidated statement of operations and deficit for the three months ended March 31, 2005, and no new significant VIEs were identified during the period.

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**Results of Operations**

The following tables set out selected unaudited consolidated financial information for the Company for the first quarter in 2005, for each of the financial quarters in 2004, and for the second, third and fourth quarters in 2003.

	<i>2005 1<sup>st</sup> quarter</i>
<b>Consolidated statements of operations and deficit</b>	
Net loss for the period	(610)
Net loss per share	(0.0054)
<b>Consolidated balance sheets</b>	
Working capital surplus	5,010
Total assets	27,674
<b>Consolidated statements of cash flows</b>	
Exploration and development costs outflow	(2,327)
Net cash inflow from financing activities	6,265

	<i>2004 1<sup>st</sup> quarter</i>	<i>2004 2<sup>nd</sup> quarter</i>	<i>2004 3<sup>rd</sup> quarter</i>	<i>2004 4<sup>th</sup> quarter</i>
<b>Consolidated statements of operations and deficit</b>				
Net (loss) profit for the period	(346)	(1,126)	264	(761)
Net (loss) profit per share	(0.0033)	(0.0107)	0.0026	(0.0071)
<b>Consolidated balance sheets</b>				
Working capital surplus	7,224	5,466	3,761	1,461
Total assets	22,012	21,652	22,128	21,732
<b>Consolidated statements of cash flows</b>				
Exploration and development costs outflow	(1,334)	(1,493)	(2,111)	(2,058)
Net cash inflow from financing activities	1,269	560	-	344

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	<i>2003 2<sup>nd</sup> quarter</i>	<i>2003 3<sup>rd</sup> quarter</i>	<i>2003 4<sup>th</sup> quarter</i>
<b>Consolidated statements of operations and deficit</b>			
Net loss for the period	(185)	(216)	(147)
Net loss per share	(0.0025)	(0.0030)	(0.0015)
<b>Consolidated balance sheets</b>			
Working capital (deficit) surplus	(659)	(1,407)	7,560
Total assets	9,964	11,184	21,084
<b>Consolidated statements of cash flows</b>			
Exploration and development costs outflow	(607)	(610)	(1,650)
Net cash inflow from financing activities	122	50	10,832

The current policy of the Company is not to pay dividends. Earnings, if any, will initially be retained to finance further exploration, development and acquisitions. This policy is reviewed from time to time by the board of directors of the Company.

Effective January 1, 2003 the Company recognizes compensation expense when stock options are granted. For the year ended December 31, 2002 the Company did not recognize compensation expense for stock options granted to employees. Had compensation expense for stock options granted to employees during the year ended December 31, 2002 under the Company's stock option plan been determined based on the fair value at the grant dates consistent with the fair value based method of accounting for stock-based compensation, the Company's net loss and net loss per share would have changed to the pro forma amounts indicated below:

	<i>Year ended December 31, 2004</i>	<i>Year ended December 31, 2003</i>
Net loss for the year, as reported	1,969	710
Stock-based compensation expense	-	228
Pro forma net loss for the year	<u>1,969</u>	<u>938</u>
Pro forma net loss per share	<u>0.0185</u>	<u>0.0122</u>

The fair value of options granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 3.96% (2003 - 3.96%), expected dividend yield of nil, expected volatility of 116.5% (2003 - 133.6%), and expected option life of 3 years. For purposes of the pro forma disclosure, the estimated fair value of the options is expensed over the options' vesting periods. The weighted average fair market value of options granted in 2004 was US\$0.3832 (2003 - US\$0.3914). No stock options were granted during the three months ended March 31, 2005.

For the three months ended March 31, 2005 and the three months ended March 31, 2004 the full impact of the expense relating to all stock options granted (both to employees and non-employees) has been included in the consolidated statements of operations and deficit.

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The cumulative stock-based compensation expense is as follows:

<i>Stock options</i>	<i>Three months ended March 31, 2005 (Unaudited)</i>	<i>Year ended December 31, 2004</i>
Balance, beginning of period	847	185
Stock-based compensation expense	207	662
Balance, end of period	<u>1,054</u>	<u>847</u>

*Three months ended March 31, 2005 compared to the three months ended March 31, 2004*

There were no revenues in either period as the Company did not have any operations in production.

A period-end review of the carrying values of the Company's exploration and development property assets led to a write-down of US\$0.018 million in 2005 compared to US\$Nil in 2004. The write-down of exploration and development costs reflects the Company's policy of continually assessing the economic viability of its projects and where necessary writing them down to their net realizable value.

Administration costs in 2005 were US\$0.401 million compared to US\$0.203 million in 2004. The increased administration costs are the result of the Company's expansion to support its increased level of exploration and development activities.

The stock-based compensation expense in 2005 was US\$0.207 million compared to US\$0.075 million in 2004.

The net loss for the three months ended March 31, 2005 was US\$0.610 million as compared to US\$0.346 million in 2004.

**Liquidity and Capital Resources**

The sale of the Bouroum Permit gold reserves in Burkina Faso for a total consideration of US\$3.3 million is contingent upon and subject to government approvals. As at the date of this report the issuance of an exploitation permit over the Bouroum Permit reserves is awaited and accordingly the sale of the Bouroum Permit reserves has not been recognised in the unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2005.

As at March 31, 2005 the Company had cash resources of US\$5.875 million compared to the December 31, 2004 balance of US\$2.280 million. During the three months ended March 31, 2005 the Company closed a brokered private placement of 13,383,467 Units, at a price of Cdn\$0.60 per Unit, for total proceeds of Cdn\$8,030,080 (US\$6.265 million net of cost of share offerings). Each Unit consists of one common share plus one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of AXMIN at a price of Cdn\$0.75 expiring on September 5, 2006. As part of their compensation the agent to the brokered private placement was issued a total of 328,206 compensation options. Each compensation option entitles the holder to purchase one common share of the Company at a price of Cdn\$0.60 expiring on September 5, 2006. The Company's cash resources were utilized mainly on capitalized exploration and development costs, and administration costs.

As at March 31, 2005 the Company had a surplus of working capital (defined as the difference between current assets and current liabilities) which amounted to US\$5.010 million compared to the December 31, 2004 surplus of US\$1.461 million.



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**Hedging and Derivative Instruments**

Since at this stage the Company has no economically recoverable reserves in production the decision has been made that it is inappropriate for the Company to have any hedging or derivative activities.

**Related Parties**

The Company's balances with related parties as at the balance sheet dates are summarized below:

<i>Balances</i>	Footnote	<i>March 31, 2005 (Unaudited)</i>	<i>December 31, 2004</i>
Due from Mali: Kofi Project Area joint venture	(c)	141	67
Due from related parties		141	67
Due to SAMAX Services Limited	(a)	15	11
Due to related parties		15	11

The Company's transactions with related parties included in the determination of results of operations for the period are summarized below:

<i>Transactions</i>	Footnote	<i>Three months ended March 31, 2005 (Unaudited)</i>	<i>Three months ended March 31, 2004 (Unaudited)</i>
Administration (management fees)	(a)	61	30
Administration and capitalized exploration and development costs (recharges)	(a)	3	22
Administration (recharges)	(b)	-	(8)
Other income (management fees)	(c)	27	16
Administration and capitalized exploration and development costs (recharges)	(c)	(47)	(20)
Administration (legal fees)	(d)	-	-

(a) Balances with SAMAX Services Limited ("SSL"), a company of which Michael Martineau and Jonathan Forster, both directors and officers of the Company, were shareholders until August 31, 2001, represent amounts advanced by the Company to fund its activities managed by, recharges of expenses owing to and services provided by SSL. Administration services provided by SSL comprise exploration, administrative and financial services. As at December 31, 2002 the balance due to the Company prior to making a provision was US\$136,450. This balance may be irrecoverable in full or in part and accordingly a full provision against this balance was included in the consolidated statement of operations and deficit for the year ended December 31, 2002. As at March 31, 2005, net of the 2002 provision, the balance due to SSL was US\$14,852. As at December 31, 2004, net of the 2002 provision, the balance due to SSL was US\$11,111. During the three months ended March 31, 2005 the contract with SSL for the provision of administration services was terminated by payment of a final management fee of US\$60,000.

(b) Balances with Carpathian Gold Limited ("CGL") represent recharges of expenses owing to and services provided by the Company including the provision of the services of Jonathan Forster, a director and officer of the Company, and Craig Banfield, an officer of the Company, in accordance with their employment contracts. Jonathan Forster is a shareholder and a director of Carpathian Gold Inc. ("CGI"), the parent company of CGL. Craig Banfield is a shareholder of CGI and until August 31, 2004 was an officer of CGI. In addition Michael Ebsary, a director of the Company, is a director of CGI and Michael Martineau, a director and officer of the Company, is a shareholder

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of CGI. CGI's major shareholder is Mavinaur LLP, a limited liability partnership of which Peter Lehner (a former director of the Company, retired November 29, 2002) is the principal partner. Mr. Lehner is the chairman and a director of CGI. Addax Mining Holdings BV, the Company's major shareholder, is a shareholder of CGI.

- (c) Balances with the Mali: Kofi Project Area joint venture represent recharges of expenses owing to and services provided by the Company. The Company renders charges to the Mali: Kofi Project Area joint venture as a percentage of expenditures under management. The Mali: Kofi Project Area joint venture is being funded by a subsidiary of Newmont Mining Corporation.
- (d) Legal services provided by Fasken Martineau DuMoulin LLP, a law firm to which Robert Shirriff, a director of the Company, is counsel. In addition to the value of transactions included in the determination of results of operations for the period Fasken Martineau DuMoulin LLP provided legal services in connection with share offerings made by the Company at a cost of US\$46,442 (2004 - US\$Nil). Fees relating to such transactions have been charged against the gross proceeds of the related share offerings.

### **Risks and Uncertainties**

Due to the nature of the Company's business and present stage of exploration and development of its mineral properties, the Company is subject to various financial, operational and political risks.

#### *Mining industry*

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineral deposit may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Company or its joint venture partners will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot accurately be predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

#### *No production revenues; history of losses*

To date, the Company has not recorded any revenues from its mining operations nor has the Company commenced commercial production on any of its properties. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

The Company does not expect to receive revenues from operations in the foreseeable future, if at all. The Company expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability.

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There can be no assurance that the Company's exploration programs will result in locating commercially exploitable mineral ores or that the Company's properties will be successfully developed. Further, there can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

### *Nature of mineral exploration*

Most of the properties in which AXMIN has an interest are in the exploration stage only and apart from the Bouroum-Taparko feasibility study none of these properties contain a known body of commercial ore. AXMIN currently operates at a loss. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. Major expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the proposed exploration programs on the properties in which AXMIN has an interest will result in a profitable commercial mining operation.

AXMIN's exploration and, if such exploration is successful, development of its properties will be subject to all of the hazards and risks normally incident to gold exploration and development, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. AXMIN's activities may be subject to prolonged disruptions due to weather conditions, depending on the location of operations in which AXMIN has interests. Hazards, such as unusual or unexpected formations, rock bursts pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. The nature of these risks are such that liabilities could exceed any insurance policy limits or could be excluded from any insurance coverage. There are also risks against which AXMIN could not insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or in compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays.

Whether a gold deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of gold and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in AXMIN not receiving an adequate return on investment capital.

### *Additional funding requirements*

If AXMIN's exploration programs are successful, additional funds over and above those currently held by the Company will be required for further exploration to prove economic ore bodies and to bring such ore bodies to production. The further exploration and development of AXMIN's properties will depend upon AXMIN's ability to obtain financing through the joint venturing of projects, equity financing, debt financing or other means. There is no assurance that AXMIN will be successful in obtaining the required financing. The location of AXMIN's properties in developing countries may make it more difficult for AXMIN to obtain debt financing from senior lenders. Failure to obtain additional financing on a timely basis could cause AXMIN to forfeit all or parts of its interest in some or all of its properties or joint ventures and reduce or terminate its operations.

### *Political risk*

AXMIN currently conducts its exploration activities in the African countries of the Central African Republic ("CAR"), Mali, Burkina Faso, Senegal, Sierra Leone and Ghana. There is no assurance that future political and economic conditions in these countries will not result in their governments adopting different policies respecting foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both AXMIN's ability to undertake exploration and development activities in respect of

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present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in respect of which it has obtained exploration rights to date. The possibility that future governments of these and other African countries may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

### *Contractual arrangements*

AXMIN has entered into, or AXMIN may enter into, contractual arrangements to acquire interests in mineral resource properties with governments or governmental agencies which contain time-sensitive performance requirements. The foundation of certain of these agreements may be based on recent political conditions and legislation and not supported by precedent or custom. As such, the contractual arrangements may be subject to cancellation or unilateral modification. Furthermore AXMIN will be dependent on the receipt of government approvals or permits to explore and develop its properties. Any change in government or legislation may affect the status of AXMIN's contractual arrangements or its ability to meet its contractual obligations and may result in the loss of its interests in mineral properties. In some cases, infrastructure has been put in place by AXMIN on the basis of verbal or preliminary governmental approval, which may or may not be confirmed by government order.

### *Gold prices*

The price of gold has fluctuated widely. The future direction of the price of gold will depend on numerous factors beyond AXMIN's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of gold, and therefore on the economic viability of AXMIN's properties, cannot accurately be predicted. As AXMIN is only at the exploration stage, it is not yet possible for AXMIN to adopt specific strategies for controlling the impact of fluctuations in the price of gold.

### *Competition*

The mineral exploration business is competitive in all of its phases. AXMIN competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than AXMIN, in the search for and the acquisition of attractive mineral properties. AXMIN's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also in its ability to select and acquire suitable producing properties or prospects for mineral exploration or development.

There is no assurance that AXMIN will be able to compete successfully with others in acquiring such properties or prospects.

### *Currency risk*

AXMIN's costs are incurred in Canadian dollars, United States dollars, British pounds sterling and also in the currencies of the CAR, Mali, Burkina Faso, Senegal, Sierra Leone and Ghana. There is no guarantee that these other currencies will be convertible into Canadian and United States dollars in the future. AXMIN currently does not undertake hedging activities.

### *Title matters*

No assurances can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration authorizations of AXMIN and that such exploration authorizations will not be challenged or impugned by third parties. AXMIN has also applied for rights to explore various properties, but there is no certainty that such rights will be granted or granted on terms satisfactory to AXMIN. Local mining legislation of certain countries in which AXMIN operates requires AXMIN to grant to the government an interest in AXMIN's property rights. In addition, the properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

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### *Conflict of interest*

Certain of AXMIN's directors are directors or officers of, or have significant shareholdings in, other mineral resource companies and, to the extent that such other companies may have participated in ventures in which AXMIN may participate, the directors of AXMIN may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with AXMIN for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of AXMIN and will abstain from voting for or against the approval of such a participation or such terms. In appropriate cases AXMIN will establish a special committee of independent directors to review a matter in which several directors or management may have a conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties allowing their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the arrangement. In accordance with the laws of Canada, the directors of AXMIN are required to act honestly, in good faith and in the best interest of AXMIN. No conflict of interest currently exists with any of AXMIN's directors.

### *Repatriation of earnings*

Currently, there are no significant legal restrictions on the repatriation from the CAR, Mali, Burkina Faso, Senegal, Sierra Leone or Ghana of earnings to foreign entities with the exception of restrictions of legal capital (equity) until after dissolution. However, there can be no assurance that restrictions on repatriation of earnings from such countries will not be imposed in the future.

### *Management; dependence on key personnel*

Investors will be relying on the good faith, experience and judgement of AXMIN's management and advisors in supervising and providing for the effective management of the business and the operations of AXMIN and in selecting and developing new investment and expansion opportunities. AXMIN may need to recruit additional qualified personnel to supplement existing management. AXMIN is currently dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company.

### *Environmental risk*

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes to environmental regulation, if any, will not adversely affect AXMIN's operations. Environmental hazards may exist on the properties in which AXMIN holds interests that have been caused by previous or existing owners or operators.

### *Enforceability of civil liabilities*

Certain of AXMIN's directors and officers reside outside of Canada. All of the assets of such persons are, and substantially all of the properties of AXMIN are, located outside of Canada. It may not be possible for investors to effect service of process within Canada upon such persons and it may also not be possible to enforce against AXMIN and / or such persons judgements obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

### *Concentration of share ownership*

As at the date of this report, Addax Mining Holdings BV, a wholly owned subsidiary of The Addax & Oryx Group Limited, holds 45.2% of the common shares issued by the Company. Addax Mining Holdings BV is

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

*(All tabular amounts stated in thousands of United States dollars unless otherwise indicated and except per share amounts)*

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therefore able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions.

### *Liquidity; dilution*

The public trading market for the Company's common shares (which are listed on the TSX Venture Exchange) is not an active one. There can be no assurance that an active public trading market will develop in the future. Various factors including AXMIN's and its competitors exploration results and general economic conditions could cause significant fluctuations in the price and volume of trading of the Company's common shares. Holders of AXMIN shares may suffer dilution by future share offerings.

### **Share Capital**

As at the date of this report the Company's issued share capital comprises 121,399,746 common shares.

As at the date of this report the Company has on issue and outstanding stock options for:

- (a) 3,075,000 common shares of the Company exercisable at Cdn\$0.32 each expiring on January 17, 2007;
- (b) 625,000 common shares of the Company exercisable at Cdn\$0.34 each expiring on January 17, 2007;
- (c) 1,550,000 common shares of the Company exercisable at Cdn\$1.00 each expiring on December 18, 2008;
- (d) 150,000 common shares of the Company exercisable at Cdn\$0.70 each expiring on October 4, 2009; and
- (e) 900,000 common shares of the Company exercisable at Cdn\$0.67 each expiring on December 13, 2009.

As at the date of this report the Company has on issue and outstanding common share purchase warrants for 6,691,733 common shares of the Company exercisable at Cdn\$0.75 each expiring on September 5, 2006.

As at the date of this report the Company has on issue and outstanding compensation options for 328,206 common shares of the Company exercisable at Cdn\$0.60 each expiring on September 5, 2006.

Therefore, as at the date of this report on a fully diluted basis the common shares of the Company would be 134,719,685.

### **Outlook**

The Company's priorities remain broadly consistent with those of the current and preceding year. At the project level, continuation of the planned work programs on the Company's projects. At the corporate level, raising the profile of the Company and continuing to assess market opportunities to raise additional funds.

### **Forward-Looking Statements**

Some of the statements included in this report are "forward-looking" statements. They include statements about the Company's expectations, beliefs, plans, objectives and assumptions about future events or performance. These statements are often, but not always, made through the use of words or phrases such as "will likely result", "are expected to", "will continue", "anticipate", "believes", "estimate", "intend", "plan", "would" and "outlook" or statements to the effect that actions, events or results, "will", "may", "should" or "would" be taken, occur or be achieved. Statements and estimates concerning mineral resources may also be deemed to be forward-looking statements in that they involve estimates, based on certain assumptions, regarding the mineralisation that would be encountered if and when a mineral deposit were to be developed and mined. Forward-looking statements are not historical facts and are subject to a number of risks and uncertainties beyond the Company's control. Accordingly, the Company's actual results could differ materially from those suggested by these forward-looking

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

*(All tabular amounts stated in thousands of United States dollars unless otherwise indicated and except per share amounts)*

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statements for various reasons discussed throughout this report and particularly in the section entitled "Risks and Uncertainties". Forward-looking statements are made on the basis of the beliefs, opinions and estimates of the Company's management on the date the statements are made, and the Company does not undertake any obligation to update forward-looking statements if circumstances or management's beliefs, opinions or estimates should change. Readers should not place undue reliance on forward-looking statements.

### **Additional Information**

Additional information relating to the Company may be obtained from the SEDAR website [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Jonathan Forster". The signature is fluid and cursive, with a large initial "J" and "F".

Dr. Jonathan Forster  
*Chief Executive Officer & Director*

May 26, 2005

### **Notice to the Reader**

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In accordance with National Instrument 51-102, Part 4, sub-section 4.3(3)(a), notice is hereby given that the accompanying interim consolidated financial statements of AXMIN Inc. (the "Company") for the three months ended March 31, 2005 have not been reviewed by the Company's auditors.

The accompanying interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. These interim consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

**AXMIN Inc.****Consolidated Balance Sheets***(All tabular amounts stated in thousands of United States dollars)*

<i>As at March 31, 2005 and December 31, 2004</i>	<i>March 31, 2005 (Unaudited)</i>	<i>December 31, 2004</i>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	5,875	2,280
Prepaid expenses and sundry debtors	115	155
Due from related parties <i>(Note 5)</i>	141	67
	6,131	2,502
Exploration and development costs <i>(Note 3)</i>	21,515	19,206
Other assets	28	24
	27,674	21,732
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Accounts payable	345	328
Accrued liabilities and sundry creditors	761	702
Due to related parties <i>(Note 5)</i>	15	11
	1,121	1,041
Shareholders' equity		
Share capital <i>(Note 4)</i>	32,414	26,149
Stock options <i>(Note 4(c))</i>	1,054	847
Deficit	(6,915)	(6,305)
	26,553	20,691
	27,674	21,732

*See accompanying notes to the consolidated financial statements.*



**AXMIN Inc.****Consolidated Statements of Operations and Deficit***(All tabular amounts stated in thousands of United States dollars except per share amounts)*

<i>Three months ended March 31, 2005 and 2004</i>	<i>2005</i> <i>(Unaudited)</i>	<i>2004</i> <i>(Unaudited)</i>
<b>Revenue</b>	-	-
<b>Expenses</b>		
Administration <i>(Note 5)</i>	401	203
Write-down of exploration and development costs <i>(Note 3)</i>	18	-
Stock-based compensation expense <i>(Note 4(c))</i>	207	75
Loss on foreign exchange	17	138
	<u>643</u>	<u>416</u>
<b>Other income</b>		
Interest income	6	50
Other <i>(Note 5(c))</i>	27	20
	<u>33</u>	<u>70</u>
<b>Net loss for the period</b>	610	346
<b>Deficit, beginning of period</b>	6,305	4,336
<b>Deficit, end of period</b>	<u>6,915</u>	<u>4,682</u>
Net loss per share (basic and diluted)	0.0054	0.0033
Weighted average number of common shares outstanding	112,228,729	105,015,777

*See accompanying notes to the consolidated financial statements.*

**AXMIN Inc.****Consolidated Statements of Cash Flows***(All tabular amounts stated in thousands of United States dollars)*

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<i>Three months ended March 31, 2005 and 2004</i>	<i>2005</i>	<i>2004</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Operating activities</b>		
Net loss for the period	(610)	(346)
Write-down of exploration and development costs	18	-
Stock-based compensation expense	207	75
Change in working capital	46	(127)
Net cash outflow from operating activities	(339)	(398)
<b>Investing activities</b>		
Exploration and development costs	(2,327)	(1,334)
Other assets	(4)	-
Net cash outflow from investing activities	(2,331)	(1,334)
<b>Financing activities</b>		
Issuance of common shares	6,265	1,269
Net cash inflow from financing activities	6,265	1,269
<b>Net cash inflow (outflow)</b>	<b>3,595</b>	<b>(463)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,280</b>	<b>8,687</b>
<b>Cash and cash equivalents, end of period</b>	<b>5,875</b>	<b>8,224</b>

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*See accompanying notes to the consolidated financial statements.*

**Notes to the Consolidated Financial Statements**

*(All tabular amounts stated in thousands of United States dollars unless otherwise indicated and except per share amounts)*

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**1. Nature of Operations and Basis of Presentation**

AXMIN Inc. (the "Company") is an international mineral exploration company with a substantial exploration portfolio in the mineral belts of central and west Africa. The Company is in its development stage and it is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and development costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development, and future profitable production or proceeds from the disposition of such properties. In addition the success of the Company will be influenced by a number of factors including environmental risks, and legal and political risks.

The consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. These consolidated financial statements do not include any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

A significant portion of the Company's exploration and development costs relate to its Bambari property in the Central African Republic ("CAR"). The Company holds its interest in this property through a CAR registered company, Aurafrique S.A.R.L., which holds prospecting and exploration permits for the property.

**2. Significant Accounting Policies**

*Principles of consolidation*

These unaudited interim consolidated financial statements have been prepared following the same accounting principles and methods of application as disclosed in note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2004. The unaudited interim consolidated financial statements do not conform in all respects to Canadian generally accepted accounting principles for annual financial statements. Accordingly these unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes included in the Annual Report 2004. The consolidated financial statements include the accounts of the Company and all of the AXMIN Inc. group's wholly owned subsidiaries (the "Company") which are listed below:

- AXMIN Limited ("AXMIN", incorporated in the British Virgin Islands)
- Golden Eagle Mining Limited (incorporated in the Isle of Man)
- Aurafrique S.A.R.L. ("Aurafrique", incorporated in the CAR)
- AXMIN (RCA) S.A.R.L. (incorporated in the CAR)
- AXMIN (SL) Limited (incorporated in Sierra Leone)

Effective January 1, 2005, the Company adopted the recommendations (AcG-15) issued by The Canadian Institute of Chartered Accountants dealing with Variable Interest Entities ("VIE"). AcG-15 details the requirements on the consolidation of VIEs. VIEs include entities where the equity invested is considered insufficient to finance the entity's activities without additional subordinated financial support from other parties. AcG-15 requires the Company to consolidate VIEs if the investment it holds in those entities and / or the relationship it has with them result in it being exposed to a majority of their expected losses, being able to benefit from a majority of their expected residual returns, or both.

As a result of adopting AcG-15 there was no impact on the consolidated balance sheet as at March 31, 2005 and the consolidated statement of operations and deficit for the three months ended March 31, 2005, and no new significant VIEs were identified during the period.

*Comparative figures*

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

**Notes to the Consolidated Financial Statements**

*(All tabular amounts stated in thousands of United States dollars unless otherwise indicated and except per share amounts)*

**3. Exploration and Development Costs**

	<i>Three months ended March 31, 2005 (Unaudited)</i>	<i>Year ended December 31, 2004</i>
Balance, beginning of period	19,206	12,265
Additions	2,327	7,360
Write-downs	(18)	(419)
Balance, end of period	<u>21,515</u>	<u>19,206</u>

Included in exploration and development costs are expenditures made by the Company on exploration properties which have been capitalized as follows:

	<i>March 31, 2005 (Unaudited)</i>	<i>December 31, 2004</i>
<i>Central African Republic</i>		
Bambari	13,067	11,369
Pouloubou	111	45
<i>Mali</i>		
Kofi Project Area	2,949	2,871
Satifara	-	-
<i>Burkina Faso</i>		
Bouroum	2,015	2,010
<i>Senegal</i>		
Sonkounkou	1,706	1,534
Sabodala NW	123	109
<i>Sierra Leone</i>		
Nimini Hills	321	226
Matotaka	39	25
Gori Hills	85	70
Sokoya	45	30
Makong	197	106
<i>Ghana</i>		
Cape Three Points	718	672
<i>Canada</i>		
B-B Lake	139	139
	<u>21,515</u>	<u>19,206</u>

On June 14, 2004 the Company sold its 100% interest in the 109,896 ounce Bouroum Permit reserves to a subsidiary of High River Gold for a total consideration of US\$3.3 million. In addition the Company and High River Gold have established a joint venture that will ensure the continued exploration of the Company's permits in Burkina Faso. These transactions are contingent upon and subject to government approvals. The sale agreement with High River Gold covers an area of 11 sq km within the Bouroum Permit. As at the date of this report the issuance of an exploitation permit over the Bouroum Permit reserves is awaited and accordingly the sale of the Bouroum Permit reserves has not been recognised in the unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2005.

The remainder of the Bouroum Permit and the two adjacent permits, Yeou and Ankouma, are subject to an exploration joint venture between the Company and High River Gold whereby High River Gold may earn 100% interest in the three permits by spending US\$1.5 million on exploration over three years, with a minimum of US\$381,000 in the first year. The Company retains a back-in right up to the time of completion of a feasibility study for a 50% interest in one or all of the permits by paying High River Gold a multiple of 1.5 times its expenditure on the relevant permit(s).

**Notes to the Consolidated Financial Statements**

(All tabular amounts stated in thousands of United States dollars unless otherwise indicated and except per share amounts)

**4. Share Capital**

(a) Authorized share capital

Unlimited number of common shares and class 'A' shares.

(b) Issued share capital

<i>Common shares</i>	<i>Number of common shares (Unaudited)</i>	<i>Amount (Unaudited)</i>
Balance as at January 1, 2005	107,916,279	26,149
Issue for cash, brokered private placement	13,383,467	6,552
Cost of share offerings	-	(287)
Balance as at March 31, 2005	<u>121,299,746</u>	<u>32,414</u>

On March 3, 2005 the Company closed a brokered private placement of 13,383,467 Units, at a price of Cdn\$0.60 per Unit, for total proceeds of Cdn\$8,030,080. Each Unit consists of one common share plus one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of AXMIN at a price of Cdn\$0.75 expiring on September 5, 2006. Common shares acquired under this brokered private placement are subject to applicable hold periods which expire on July 4, 2005.

As part of their compensation the agent to the brokered private placement was issued a total of 328,206 compensation options. Each compensation option entitles the holder to purchase one common share of the Company at a price of Cdn\$0.60 expiring on September 5, 2006.

(c) Stock options

The Company has an incentive stock option plan which governs the granting and exercise of stock options issued to directors, officers and employees of the Company, and consultants to the Company. During the period, the following transactions took place:

<i>Number of stock options</i>	<i>Three months ended March 31, 2005 (Unaudited)</i>	<i>Year ended December 31, 2004</i>
Outstanding, beginning of period	6,420,000	5,690,000
Granted	-	1,050,000
Exercised	-	(250,000)
Expired or not vested	(5,000)	(70,000)
Outstanding, end of period	<u>6,415,000</u>	<u>6,420,000</u>
Exercisable, end of period	<u>5,040,664</u>	<u>4,757,332</u>

As at March 31, 2005 the Company had on issue and outstanding stock options for:

- (i) 100,000 common shares of the Company exercisable at Cdn\$0.32 each expiring on May 3, 2005;
- (ii) 15,000 common shares of the Company exercisable at Cdn\$1.00 each expiring on May 3, 2005;
- (iii) 3,075,000 common shares of the Company exercisable at Cdn\$0.32 each expiring on January 17, 2007;
- (iv) 625,000 common shares of the Company exercisable at Cdn\$0.34 each expiring on January 17, 2007;
- (v) 1,550,000 common shares of the Company exercisable at Cdn\$1.00 each expiring on December 18, 2008;
- (vi) 150,000 common shares of the Company exercisable at Cdn\$0.70 each expiring on October 4, 2009; and
- (vii) 900,000 common shares of the Company exercisable at Cdn\$0.67 each expiring on December 13, 2009.

The fair value of options granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 3.96% (2003 - 3.96%), expected dividend yield of nil, expected volatility of 116.5% (2003 - 133.6%), and expected option

**Notes to the Consolidated Financial Statements**

*(All tabular amounts stated in thousands of United States dollars unless otherwise indicated and except per share amounts)*

life of 3 years. For purposes of the pro forma disclosure, the estimated fair value of the options is expensed over the options' vesting periods. The weighted average fair market value of options granted in 2004 was US\$0.3832 (2003 - US\$0.3914). No stock options were granted during the three months ended March 31, 2005.

For the three months ended March 31, 2005 and the three months ended March 31, 2004 the full impact of the expense relating to all stock options granted (both to employees and non-employees) has been included in the consolidated statements of operations and deficit.

The cumulative stock-based compensation expense is as follows:

<i>Stock options</i>	<i>Three months ended March 31, 2005 (Unaudited)</i>	<i>Year ended December 31, 2004</i>
Balance, beginning of period	847	185
Stock-based compensation expense	207	662
Balance, end of period	<u>1,054</u>	<u>847</u>

(d) Common share purchase warrants

<i>Number of common share purchase warrants</i>	<i>Three months ended March 31, 2004 (Unaudited)</i>	<i>Year ended December 31, 2004</i>
Outstanding, beginning of period	-	12,442,498
Issued	6,691,733	-
Exercised	-	(4,942,499)
Expired	-	(7,499,999)
Outstanding, end of period	<u>6,691,733</u>	<u>-</u>

As at March 31, 2005 the Company had on issue and outstanding common share purchase warrants for 6,691,733 common shares of the Company exercisable at Cdn\$0.75 each expiring on September 5, 2006.

(e) Compensation options

<i>Number of compensation options including attached common share purchase warrants</i>	<i>Three months ended March 31, 2005 (Unaudited)</i>	<i>Year ended December 31, 2004</i>
Outstanding, beginning of period	-	912,971
Issued, exercisable at Cdn\$0.60 each	328,206	-
Exercised at Cdn\$0.35 each	-	(62,113)
Exercised at Cdn\$0.70 each	-	(71,875)
Exercised, attached common share purchase warrants, at Cdn\$0.45 each	-	(350,858)
Exercised, attached common share purchase warrants, at Cdn\$0.70 each	-	(428,125)
Outstanding, end of period	<u>328,206</u>	<u>-</u>

As at March 31, 2005 the Company had on issue and outstanding 328,206 compensation options. Each compensation option entitles the holder to purchase one common share of the Company at a price of Cdn\$0.60 expiring on September 5, 2006.

See note 6.

**Notes to the Consolidated Financial Statements**

*(All tabular amounts stated in thousands of United States dollars unless otherwise indicated and except per share amounts)*

**5. Related Parties**

The Company's balances with related parties as at the balance sheet dates are summarized below:

<i>Balances</i>	Footnote	<i>March 31, 2005 (Unaudited)</i>	<i>December 31, 2004</i>
Due from Mali: Kofi Project Area joint venture	(c)	141	67
Due from related parties		141	67
Due to SAMAX Services Limited	(a)	15	11
Due to related parties		15	11

The Company's transactions with related parties included in the determination of results of operations for the period are summarized below:

<i>Transactions</i>	Footnote	<i>Three months ended March 31, 2005 (Unaudited)</i>	<i>Three months ended March 31, 2004 (Unaudited)</i>
Administration (management fees)	(a)	61	30
Administration and capitalized exploration and development costs (recharges)	(a)	3	22
Administration (recharges)	(b)	-	(8)
Other income (management fees)	(c)	27	16
Administration and capitalized exploration and development costs (recharges)	(c)	(47)	(20)
Administration (legal fees)	(d)	-	-

- (a) Balances with SAMAX Services Limited ("SSL"), a company of which Michael Martineau and Jonathan Forster, both directors and officers of the Company, were shareholders until August 31, 2001, represent amounts advanced by the Company to fund its activities managed by, recharges of expenses owing to and services provided by SSL. Administration services provided by SSL comprise exploration, administrative and financial services. As at December 31, 2002 the balance due to the Company prior to making a provision was US\$136,450. This balance may be irrecoverable in full or in part and accordingly a full provision against this balance was included in the consolidated statement of operations and deficit for the year ended December 31, 2002. As at March 31, 2005, net of the 2002 provision, the balance due to SSL was US\$14,852. As at December 31, 2004, net of the 2002 provision, the balance due to SSL was US\$11,111. During the three months ended March 31, 2005 the contract with SSL for the provision of administration services was terminated by payment of a final management fee of US\$60,000.
- (b) Balances with Carpathian Gold Limited ("CGL") represent recharges of expenses owing to and services provided by the Company including the provision of the services of Jonathan Forster, a director and officer of the Company, and Craig Banfield, an officer of the Company, in accordance with their employment contracts. Jonathan Forster is a shareholder and a director of Carpathian Gold Inc. ("CGI"), the parent company of CGL. Craig Banfield is a shareholder of CGI and until August 31, 2004 was an officer of CGI. In addition Michael Ebsary, a director of the Company, is a director of CGI and Michael Martineau, a director and officer of the Company, is a shareholder of CGI. CGI's major shareholder is Mavinaur LLP, a limited liability partnership of which Peter Lehner (a former director of the Company, retired November 29, 2002) is the principal partner. Mr. Lehner is the chairman and a director of CGI. Addax Mining Holdings BV, the Company's major shareholder, is a shareholder of CGI.
- (c) Balances with the Mali: Kofi Project Area joint venture represent recharges of expenses owing to and services provided by the Company. The Company renders charges to the Mali: Kofi Project Area joint venture as a percentage of expenditures under management. The Mali: Kofi Project Area joint venture is being funded by a subsidiary of Newmont Mining Corporation.
- (d) Legal services provided by Fasken Martineau DuMoulin LLP, a law firm to which Robert Shirriff, a director of the Company, is counsel. In addition to the value of transactions included in the determination of results of operations for the period Fasken Martineau DuMoulin LLP provided legal services in connection with share

**Notes to the Consolidated Financial Statements**

*(All tabular amounts stated in thousands of United States dollars unless otherwise indicated and except per share amounts)*

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offerings made by the Company at a cost of US\$46,442 (2004 - US\$Nil). Fees relating to such transactions have been charged against the gross proceeds of the related share offerings.

**6. Subsequent Events**

Subsequent to March 31, 2005 100,000 stock options expiring on May 3, 2005 were exercised at Cdn\$0.32 each, for total proceeds of Cdn\$32,000, and as a result the Company issued 100,000 common shares of the Company to the stock option holder.

Subsequent to March 31, 2005 15,000 stock options exercisable at Cdn\$1.00 each for 15,000 common shares of the Company expired.



**Officers**

Jean Claude Gandur <sup>4</sup>  
*Chairman*

Michael Martineau <sup>4,5</sup>  
*Deputy Chairman & President*

Jonathan Forster <sup>4</sup>  
*Chief Executive Officer*

Craig Banfield <sup>4</sup>  
*Chief Financial Officer & Secretary*

**Directors**

Michael Ebsary <sup>3</sup>

Jonathan Forster <sup>4</sup>

Jean Claude Gandur <sup>4</sup>

Robert Jackson <sup>1,2,3,5</sup>

Michael Martineau <sup>4,5</sup>

Edward Reeve <sup>1,2,5</sup>

Robert Shirriff <sup>2</sup>

Anthony Walsh <sup>1,3</sup>

**Senior Management**

J Howard Bills  
*Exploration Manager*

Judith Webster <sup>4</sup>  
*Manager - Investor Relations*

- 1 Audit Committee
- 2 Compensation Committee
- 3 Corporate Governance Committee
- 4 Disclosure Committee
- 5 Technical Committee

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**Auditors**

Ernst & Young LLP  
Toronto, Ontario, Canada

**Legal Counsel**

Fasken Martineau DuMoulin LLP  
Toronto, Ontario, Canada

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E-mail: service@computershare.com

**Stock Listing**

TSX Venture Exchange (TSX Venture)  
Tier 2  
Symbol: AXM

**Common Shares Outstanding**

(As at March 31, 2005)  
121.3 million

**Principal Bankers**

Canadian Imperial Bank of Commerce  
Toronto, Ontario, Canada

Barclays Bank PLC  
St Helier, Jersey, Channel Islands

The Annual and Special Meeting of Shareholders will be held at 10:00 am (EST) on Tuesday, June 21, 2005 at the Company's Registered Office.

For further information regarding AXMIN visit our website at [www.axmininc.com](http://www.axmininc.com)