



SECOND QUARTER REPORT 2011

**Back to  
Business**



This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the six months ended June 30, 2011 and 2010. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the six months period ended June 30, 2011, and audited consolidated financial statements and notes thereto ("Statements") of AXMIN Inc. ("AXMIN" or the "Company") as at and for the year ended December 31, 2010.

All amounts included in the MD&A are in thousands of United States dollars, except where otherwise specified and per unit basis. This report is dated as of August 22, 2011. Readers are encouraged to read the Company's other public filings, which can be viewed on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

The Company adopted International Financial Reporting Standards ("IFRS") effective January 1, 2011 and a transition date of January 1, 2010. The preparation of this financial information is in accordance with IFRS as issued by the International Accounting Standard Board ("IASB") unless otherwise noted. Note 16 to the interim condensed consolidated financial statements contains a detailed description of the Company's first annual reporting under IFRS and a reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS. The statements have been prepared using accounting policies in accordance with IFRS and International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"), which have been disclosed in the interim condensed consolidated financial statements for the period ended March 31, 2011.

### Second Quarter Highlights

- May 2011 – AXMIN appoints Graham Hill as its Chief Operating Officer, attaining another milestone in the development of the Passendro Gold Mine.
- June 2011 - AXMIN advances exploration drilling at its Komahun Gold Project, the first phase of a planned 10,000 metre drilling program indicate open pit potential at Komahun Main Zone plus deliver promising early stage results at the Western Zone.
- June 2011 - AXMIN Senegal joint venture partner, Teranga Gold Corporation ("Teranga"), formerly Mineral Developments Limited ("MDL"), announces inferred resource of 106,000 ounces gold grading 6.0 g/t Au at Gora, plus promising early stage results from two new targets.

### Post Quarter-End Highlights

- July 2011 – AXMIN executes Mandate Letter with The Standard Bank of South Africa to arrange and underwrite up to US\$100 million of debt financing.
- August 2011 - AXMIN enters into an Agreement with Polo Resources Limited, whereby Polo will acquire a 51% interest in AXMIN's Sierra Leone assets for US\$7.5 million with AXMIN retaining a 49% interest. In addition, Polo will fund the first US\$2 million in project exploration expenditures.

## Business and Summary of Activities

AXMIN is an international mineral exploration and development company with a strong focus on central and West Africa. AXMIN has exploration projects in CAR, Mali, Mozambique, Sierra Leone and Senegal. A significant portion of the Company's exploration and development costs relate to its Passendro project situated on a portion of the Bambari property in the CAR. The Company holds its interest in properties through its wholly-owned CAR registered subsidiaries, Aurafrique SARL ("Aurafrique"), which holds prospecting and exploration permits for the property and SOMIO Toungou SA, which holds the mining permit for the Passendro project.

### Corporate Activities

During the second quarter ended June 30, 2011, AXMIN sold 731,250 common shares of Avion, for net proceeds of \$1,128 resulting in a net loss on disposal of \$143.

During March 2011, AXMIN disposed of all of its CDC share holdings for 0.30 GBP/share resulting in total net proceeds of 2,866 GBP, (US\$4,453), and realizing a net gain of \$1,403.

## Management's Discussion and Analysis

On February 15, 2011, AXMIN closed its acquisition of the minority interest in the Nimini Hills East and West licences (Komahun Gold Project), thereby increasing AXMIN's ownership in the Project to 100%. As a consideration for this acquisition, the Company issued an aggregate of 4,388,370 common shares of AXMIN to Eldorado Gold Corporation and Flaxman Corporation NV at a fair market value of C\$0.18 per common share resulting in aggregate proceeds of US\$811, (C\$800).

### Exploration and Development Activities

As of the date of this report, AXMIN has interests in the following mineral exploration properties as noted below:

Project	Operator	Mineral	Location	Ownership
Passendro	AXMIN	Au	Central African Republic	100%
Bambari 1 and 2	AXMIN	Au	Central African Republic	100%
Komahun	AXMIN	Au	Sierra Leone	100%
Matotoka Permit	AXMIN	Au	Sierra Leone	100%
<b>Joint Ventures</b>				
Senegal Permits	Teranga Gold	Au	Senegal	20% <sup>1</sup>
Satifara Permit	SEMOS	Au	Mali	94.45%
Mavita Permit	AXMIN	Ni, Cu	Mozambique	100%

1. Teranga has earned 80% interest in the Senegal Permits by spending a further US\$3.5 million on exploration.

### Reserves and Resources

#### MINERAL RESERVES

Mines	Passendro, CAR
<b>Proven Mineral Reserves</b>	
Tonnes (Mt)	3.5
Grade (g/t Au)	1.8
Contained Gold (oz)	207,505
<b>Probable Mineral Reserves</b>	
Tonnes (Mt)	20.0
Grade (g/t Au)	1.9
Contained Gold (oz)	1,238,670
<b>TOTAL MINERAL RESERVES</b>	
Tonnes (Mt)	23.5
Grade (g/t Au)	1.9
Contained Gold (oz)	1,446,175

#### MINERAL RESOURCES

Mines	Passendro, CAR	Komahun, Sierra Leone	Total
<b>TOTAL MEASURED AND INDICATED</b>			
Tonnes (Mt)	31.5	0.4	31.9
Grade (g/t Au)	2.0	9.1	2.1
Contained Gold (oz)	2,027,000	110,000	2,137,000

Mines	Passendro, CAR	Komahun, Sierra Leone	Total
<b>TOTAL INFERRED</b>			
Tonnes (Mt)	21.7	3.1	24.8
Grade (g/t Au)	1.6	4.3	1.9
Contained Gold (oz)	1,104,000	435,000	1,539,000

*Note All resources and reserves are NI 43-101 compliant  
Passendro: Reserves as of January 2011; included in the Measured and Indicated; are based on US\$1,000/oz Gold  
Resources as of June 2009; cut-off grades vary from 1.2 g/t Au, 1.0 g/t Au and 0.8 g/t Au  
Komahun: Resources as of September 2009; cut-off grades plus 1.8 g/t Au*

### CAR – Passendro Gold Project

The Company's primary asset is the Passendro Gold Project, which is situated in the centre of its 25-year Mining Licence Property, (355 sq km) which was awarded to AXMIN in August 2010. At the same time, the Company was also awarded two Exploration Licences Bambari 1 and 2 (1,240 sq km), which ring fence the Mining Licence and cover a 90 km strike of the Bambari greenstone belt. The positive results of the revalidated FS were announced on January 31, 2011 and subsequently the revalidated FS Summary Report was filed on SEDAR on March 17, 2011 ([www.sedar.com](http://www.sedar.com)). The revalidated FS and updated reserve statement was completed by the original 2008 Bankable Feasibility Study ("BFS") team led by SENET (PTY) Ltd. ("SENET"), SRK Consulting (UK) Ltd ("SRK"), AMEC Earth and Environmental Ltd. (tailings, waste rock), SGS Lakefield of South Africa (metallurgy) and Golder Associates (UK) Limited. The Company now has all of the documentation necessary to secure the debt financing for the project and is doing so with the assistance of Endeavour Financial Corporation ("Endeavour").

On July 20, 2011, AXMIN announced the execution of a Mandate Letter with The Standard Bank of South Africa Limited ("Standard Bank"), an international financial institution headquartered in Johannesburg, South Africa, in terms of which Standard Bank is appointed as the Mandated Lead Arranger ("MLA") to arrange and underwrite a US\$100 million Export Credit Insurance Corporation of South Africa Limited ("ECIC") backed term loan facility for the purposes of partially funding the development of the Passendro Gold project in CAR.

Standard Bank has provided an indicative term sheet where it proposes to arrange and underwrite a US\$100 million term loan and work with other MLA's (to be appointed) for the provision of up to US\$230 million of total debt facilities. SBSA's commitment to arrange the financing is subject to satisfactory technical, legal and environmental due diligence, execution of acceptable terms and documentation and obtaining final credit approvals, including that of ECIC.

On May 9, 2011, AXMIN announced the appointment of Graham Hill as its Chief Operating Officer ("COO"), this appointment is a another milestone for AXMIN on the road to the development of Passendro and is key to maintaining the momentum at the project as it advances the debt facility negotiations. The Company, with the assistance of Endeavour has been working extensively with several banking consortiums and export credit insurance agencies in the arrangement of potentially up to 66% of the required capital costs needed to develop Passendro. It is expected that we will be in a position to update shareholders on our progress in the third quarter of this year.

On March 17, 2011, AXMIN announced plans for a 20,000 metre Reverse Circulation ("RC") and core diamond drilling, of which the initial 30 RC holes totaling 5,000 metres will focus on targets in and around the Passendro ore bodies. The Company has several drill bids out to tender and hopes to have a rig mobilized to site in the fourth quarter of 2011. The key objectives of the 2011 exploration program are:

- The enhancement of AXMIN's resource base at Passendro, targeting untested strike and depth extensions which are situated within or at close proximity of the newly defined reserve, with the goal of connecting existing pits and increasing the in-camp mineral resource;
- Drill five targets that have been selected by AXMIN in the region of Passendro and within the Mining Licence that demonstrate favourable structural and geochemical signatures; and
- Explore several high priority targets delineated from previous AXMIN exploration work along the Bambari greenstone belt and within the Bambari 1 and 2 exploration licences.

On January 31, 2011, AXMIN announced, on schedule, the completion of the revalidated FS. The results indicated a robust project with a NPV at a 5% discount of US\$340 million, an IRR of 32%, and a low cash cost of US\$484/oz over a mine life of 8.3 years. The first three years provide an average annual production of 205,000 ounces with an average cash cost of US\$437/oz, resulting in a rapid project payback of 2.2 years. The revalidated FS demonstrates that the project is now both technically and economically more robust and very well positioned to take advantage of this strong gold market.

The highlights of the study are as follows:

Assumed Gold Price	US\$1,100/oz
Assumed Oil Price	US\$80/bbl
Mine Throughput	2.8 mtpa
Mine Life	8.3 years
Development & Construction	24 months
Strip Ratio	5.4:1
Average Annual Production years 1-3	205,000 oz
Average Annual Production (LOM)	163,000 oz
Initial Capital Costs (excluding contingency)	US\$246 million
Total Cash Costs (including royalties) (LOM)	US\$484/oz
Average Metallurgical Recovery	94%
Gravity Recovery	30%
IRR (after tax & royalties)	32.1%
NPV (after tax, 5% discount)	US\$340 million
Operating Cash Flows	US\$493 million
Payback Period	2.2 years

On August 9, 2010, AXMIN announced the award of a 25-year Mining Licence by Presidential Decree for the Passendro Gold Project. The following highlights the details of the Decree, amendment to the Mining Convention and award of the Bambari 1 and 2 Exploration Licences granted concurrently:

- 25-year renewable Mining Licence effective August 7, 2010 and covers 355 sq km detailed in the 2008 BFS
- Two new 3-year renewable Exclusive Exploration Licences issued over the remaining areas of the Bambari 1 and 2 permits not covered in the Mining Licence, and including an additional 270 sq km
- The State receives a signature bonus of US\$11 million payable in three tranches
  - August 18, 2010 State received the first tranche of the bonus in the amount of US\$5 million.
  - April 2011 AXMIN paid the State the second tranche in the amount of US\$3 million
  - April 2012 AXMIN to pay the State the third and final tranche in the amount of US\$3 million
- In lieu of any project free-carried interest, the State was issued 26 million common shares of AXMIN and 20 million common share purchase warrants with an exercise price of US\$0.30 and a five year term
- Fiscal provisions of the 2006 Mining Convention remain intact

### Sierra Leone – Komahun Gold Project and Other Permits

AXMIN's Sierra Leone assets are situated in the central-west Kono region of Sierra Leone, some 330 km east of the capital Freetown. AXMIN's principal asset is the Komahun Gold Project ("**Komahun**") which is located within the wholly-owned Nimini Hills West Licence. Komahun has an Indicated Mineral Resource of 370,000 tonnes grading 9.1 g/t Au (110,000 ounces) and an Inferred Mineral Resource of 3.1 million tonnes grading 4.3 g/t Au (435,000 ounces). The remaining licences in Sierra Leone, being Nimini Hills East and Matotoka are each at an early stage of exploration.

On July 20, 2011, AXMIN announced that it has entered into an agreement (the "Agreement") with Polo Resources Limited (AIM and TSX: POL) ("Polo") whereby Polo will acquire a 51% interest in a wholly owned subsidiary of AXMIN, which owns AXMIN's Sierra Leone assets, with AXMIN retaining a 49% interest ("the Project") for a cash consideration of US\$7.5 million. The Agreement pertains to the Nimini East, Nimini West and Matotoka exploration licences in Sierra Leone.

Under terms of the Agreement, Polo is to solely fund the first US\$2 million of the Project exploration expenditures after which both parties are to jointly fund exploration expenditures on a pro rata basis. Parties who elect not to participate will face dilution of their respective interest in the Project.

Closing is subject to a technical and legal due diligence undertaken by Polo, which is to be completed no later than 60 days from the date of the Agreement. At the closing AXMIN and Polo intend to enter into a shareholder's agreement to govern their joint venture.

On June 29, 2011, AXMIN announced further results from the Phase I drilling program (10 holes), which consisted of 34 holes (5,077 metres), plus new trenching results at its 100% owned Nimini Licences in Sierra Leone. Both the drilling and trenching results confirm the potential for near-surface economic gold mineralisation at Komahun and strengthen the possibility that the

deposit is open along strike to the east and down dip. In addition, the newly discovered Western Extension, Hole NWKD 193, intersected **3 metres of 2.01 g/t Au** close to surface and confirms the project upside for near-surface mineralisation in this area.

On June 10, 2011, subsequent to the Letter of Intent dated February 28, 2011, Fuller, 7854811 Canada Inc. ("Subco"), a wholly-owned subsidiary of Fuller Capital Corp. ("Fuller"), AXMIN and Nimini Gold Holdings Corp. ("Nimini") have entered into an amalgamation agreement dated June 9, 2011 to spin-off AXMIN's Sierra Leone assets. Subsequently, AXMIN terminated the amalgamation agreement with Fuller on August 3, 2011. Concurrent with the amalgamation agreement, AXMIN paid Fuller a break-fee of \$200 on August 19, 2011.

Earlier in June, 2011, AXMIN announced the initial results of the exploration drilling program at Komahun project, confirming the resource upside potential exists at both the Main Zone and new target, Western Zone. Of the first 34 holes (5,077 metres), 15 holes have targeted infill drilling and the eastern strike extension at the Komahun Main Zone, and 19 holes focused on the newly discovered Western Zone, which is thought to be the faulted extension of the Main Zone. Initial results from infill drilling at Main Zone continued to deliver good grades and confirmed that the deposit is open to the east, results include, 6.08 g/t Au over 24.8 metres, and 3.53 g/t Au over 12.5 metres and 4.39 g/t Au over 13.5 metres. First results in the Western Zone, defined by a 500 metre southwest trending gold soil anomaly and trenching, include 17.33 g/t Au over 2.5 metres.

On February 15, 2011, AXMIN announced the closing of the acquisition of the minority interest in its Nimini Hills East and West licences, thereby increasing AXMIN's ownership in the licences to 100%. AXMIN's Komahun Gold Project ("Komahun") has an Indicated Mineral Resource of 370,000 tonnes grading 9.1 g/t Au (110,000 ounces) and an Inferred Mineral Resource of 3.1 million tonnes grading 4.3 g/t Au (435,000 ounces).

The mining licences for the Nimini Hills East, Nimini Hills West and Matotoka were renewed for a period of two years in December 2010. The licence for Makong was not renewed as management decided to not pursue the property and as a result, \$695, the full amount of the exploration expenditures, was written off.

## Mali

### Kofi Gold Project

On March 31, 2010, the Company entered into a definitive agreement with Avion to sell the Kofi Gold Project and other ancillary permits in Mali for proceeds of up to C\$500 cash and up to 4,500,000 common shares of Avion.

As of the date of this report, the sale of 6 out of the 9 total permits was completed with a significant tranche closing in December 2010. The payment schedule for each closed sale is in four tranches as follows: 25% on closing, 25% in 3 months following the closing, 25% in 12 months following the closing and 25% in 18 months from the date of closing respectively. To date, AXMIN received 50% of the proceeds from the closing of the four permits in December 2010 consisting of \$163 cash and 1,462,500 common shares of Avion and, 25% of proceeds relating to the closing of an additional 2 permits in March 2011 consisting of US\$6.2 cash and 56,250 shares. AXMIN expects the remaining three concessions of the transaction to close by the end of the year 2011.

This agreement does not include AXMIN's Satifara permit which was the subject of a joint venture agreement in February 2010 as described below.

### Satifara Permit

On February 10, 2010, the Company concluded a Heads of Agreement ("Agreement") with Société d'Exploration des Mines d'Or de Sadiola ("SEMOS"), a joint venture between IAMGOLD Corporation and AngloGold Ashanti that operates the Sadiola Mine in Mali, whereby SEMOS has the potential to earn 100% interest in the Satifara exploration permit, a joint venture between AXMIN (94.45%) and African Goldfield (Mali) Limited (5.55%). The Satifara permit is located 10 km west of the Sadiola Mine. To earn a 100% interest, SEMOS must spend a minimum of US\$500 over a two year period and complete a NI 43-101 Mineral Resource calculation, making payment of US\$15/oz for Measured and Indicated, US\$5/oz for Inferred resources and US\$15/oz for any ounce of gold mineral reserve mined. The total payment to AXMIN is capped and will not exceed US\$7.5 million.

The Satifara permit is located in the same geological trend and environment as the Birimian hosted, Sadiola Mine. To date exploration has located a 5 km long northwest-trending gold-in-soil geochemical anomaly that is 1.5 km wide in its northern part and 0.25 km wide in its southern part. Over the anomalous areas an infill (200 x 100 metre grid) geochemical survey was completed in conjunction with a number of trenches, one of which returned 3.4 g/t Au over 34 metres.

Exploration will be fully managed by SEMOS during the exclusive option period, including all expenditures pertaining to exploration, administration, taxes and permit renewal fees. SEMOS will also provide AXMIN with quarterly technical and financial reports on the programs.

### Senegal Permits

In June 2011, AXMIN's joint venture partner Teranga advised AXMIN that Teranga had earned 80% interest in by spending an additional US\$3.5 million in exploration expenditures. At this time AXMIN may elect to maintain its 20% interest in the Senegal Permits by participating pro-rata expenditures or transfer its interest to Teranga in return for a 1.5% royalty. In July, 2011, AXMIN has notified Teranga that the Company will maintain its 20% interest in the Senegal Permits. Originally, the joint venture agreement with Teranga was concluded on November 3, 2008 and it includes gold exploration permits for Sonkounkou, Heremakono and Sabodala NW located in the Birimian belt of Eastern Senegal.

On June 13, 2011, AXMIN's joint venture partner Teranga announced additional encouraging results from both the Gora deposit and several new zones, two of which are located on AXMIN's Senegal licences. Teranga announces that it is advancing the Gora Project towards production as early as late 2012 with high-grade drill intersections continuing to expand the potential footprint of the deposit. In order to develop Gora as quickly as possible, the on-going exploration program, permitting, equipment selection and a pre-feasibility level economic analysis programs are running in parallel.

In May 2011, Teranga announced an initial inferred resource at the Gora high-grade deposit located on AXMIN's Sounkounkou permit. Teranga has identified an inferred resource of 106,000 contained ounces of gold (543,000 tonnes at 6.0 g/t Au) and that the deposit remains open in all directions.

In November, 2010, Teranga earned a 51% interest in the Senegal licences, at that time AXMIN elected not to participate in further expenditure on a pro-rata basis and thus, once Teranga has spent a further \$3.5 million, AXMIN's interest in the licence will be diluted to 20%.

On June 23, 2010, AXMIN announced the results of Teranga's Phase I, 51 reverse circulation drilling program at the Gora prospect on the Sonkounkou permit. Based on the encouraging results MDL is planning a geological modeling and preliminary engineering analysis of the Gora prospect prior to the next phase of resource drilling. Management believes that MDL will meet its expenditure requirements to earn its interest in the permits in accordance with the Joint Venture ("JV") agreement.

### Mozambique - Mavita Project

Similar to the first quarter, exploration for the second quarter ended June 30, 2011 was dormant for the Mavita project. There were no exploration activities carried out on this property. The exploration activities for the second quarter ended June 30, 2010 were also minimal due to the fact that AXMIN acquired the property from AfNat on June 14, 2010.

On October 29, 2010, AXMIN Inc. announced that it regained control of its Mavita Copper-Nickel-Cobalt Project in Mozambique following the withdrawal of Rio Tinto Minerals Development Limited ("Rio Tinto"), a wholly owned subsidiary of Rio Tinto Plc (LSE:RIO) from a JV over these permits. All of the data from exploration work completed by Rio Tinto on behalf of the JV agreement has been relinquished to AXMIN. The Mavita project consists of two prospecting licences (PL1045L and PL1046L) covering 354 sq km, located in the Manica province, 60 km southwest of the regional centre of Chimoio, Mozambique. The project is located on the eastern edge of the Zimbabwe Craton is comprised of highly deformed Archaean granitic gneiss and greenstone belts that include mafic - ultramafic rocks and banded iron formations. Early reconnaissance exploration followed by airborne and detailed ground geophysical programs completed by AXMIN at Mavita have defined several anomalous lithologies that are prospective for nickel sulphide mineralisation. Some 16 priority targets were identified. AXMIN is currently exploring its options with this property.

On August 4, 2010, the Company was granted a 5-year extension on the Mavita exploration licences (PL 1045 and PL 1046) located in the Manica Province of Mozambique.

For a fuller description of the above properties and any other properties in which the Company holds interests refer to the disclosures in note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2009 and other filings made on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

### Outlook

The award of the 25-year Mining Licence for the Passendro Gold Project represents major and positive step forward towards commercial production from CAR's first modern gold mining operation. The exploration of the properties in CAR remains a main priority of the Company. The signing of a Mandate Letter with the Standard Bank of South Africa Limited to arrange and underwrite a \$100 million debt financing represents another major milestone for the Company and the CAR. This event is a key component of management's expressed plan to bring the Passendro Mine into production and represents the fruition of months of work. The next major milestone for the Company is to obtain financing with an additional debt facility lenders for the balance of the funds. With the assistance of the Company's financial advisers, Endeavour Financial, the management of AXMIN is in advanced discussions with additional debt facility arrangers.

Although Management remains optimistic that it will obtain the required financing, there are no guarantees that the financing efforts will be successful.

### Results of Operations

The results of operations are summarized in the following tables, which have been prepared in accordance with IFRS except for the quarters of 2009, which have been prepared in accordance with Canadian GAAP.

<i>In thousands of US dollars, except per share amounts</i>	<b>2011 2<sup>nd</sup> quarter</b>	<b>2011 1<sup>st</sup> quarter</b>	<b>2010 4<sup>th</sup> quarter</b>	<b>2010 3<sup>rd</sup> quarter</b>
<b>Statements of operations and comprehensive loss</b>				
Net (loss) from continuing operations for the period	(1,168)	(1,603)	(3,686)	(1,244)
Net (loss) gain from discontinued operations	(258)	74	2,881	(115)
Net loss per share from continuing operations	(0.002)	(0.002)	(0.012)	(0.003)
<b>Statement of financial position</b>				
Working capital	3,505	6,860	12,635	(1,245)
Total assets	35,482	40,568	43,939	25,670
<b>Statements of cash flows</b>				
Investments in mineral properties	(1,208)	(2,491)	(1,671)	(14,147)
Cash flow from financing activities	(1,750)	(1,750)	9,443	(13)
	<b>2010 2<sup>nd</sup> quarter</b>	<b>2010 1<sup>st</sup> quarter</b>	<b>2009 4<sup>th</sup> quarter</b>	<b>2009 3<sup>rd</sup> quarter</b>
<b>Statements of operations and deficit</b>				
Net (loss) from continuing operations for the period	(4,030)	(965)	(484)	(1,138)
Net (loss) from discontinued operations for the period	(126)	(1,282)	-	-
Net (loss) profit per share from continuing operations	(0.011)	(0.003)	(0.002)	(0.004)
<b>Statement of financial position</b>				
Working capital	8,782	564	(351)	(401)
Total assets	25,352	8,887	35,989	34,329
<b>Statements of cash flows</b>				
Investments in mineral properties	-	-	(710)	(879)
Cash flow from financing activities	1,004	1,083	1,322	578

### Second Quarter ended June 30, 2011

The net loss from continuing operations for the second quarter ended June 30, 2011 was \$1.2 million compared to \$4.0 million in 2010, a decrease of \$2.8 million. The variance is primarily due to higher administration costs, higher share-based compensation and loss on disposal of assets incurred in 2010 when compared to 2011. In addition, the loss in 2011 was offset by unrealized gain on shares receivable from Avion, \$0.5 million and unrealized gain on change in fair value of derivatives, \$0.8 million, which did not exist in the quarter ended of 2010.

Administration expenses in 2011 were lower by \$0.8 million when compared to the quarter ended in 2010. The difference is mainly due to a higher expenses (mainly professional fees) incurred on acquisition of AfNat during the second quarter in 2010.

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



As a result of adoption of IFRS, the Company changed its accounting policy for its exploration and evaluation assets. Previously, under Canadian GAAP, the Company capitalized all direct costs relating to acquisition, exploration and development of the projects. Under IFRS, exploration, evaluation and development costs for all projects are expensed as incurred and capitalized only at the point when BFS is completed and the mining exploitation permit is obtained. This change in accounting policy has significantly impacted amounts included in mineral properties. Consequently, only acquisition, exploration and development costs relating to Bambari (Passendro) gold project are capitalized from the point the mining permit is granted and the BFS is completed. All other exploration expenditures incurred for other projects are expensed as incurred.

Overall, during the second quarter ended June 30, 2011, general exploration, evaluation and development costs included in the consolidated statement of operations, approximated exploration expenditures incurred during the quarter ended June 20, 2010 and amounted to \$1.1 million. In aggregate, for the period ended June 30, 2011, the Company expensed \$2.8 million of exploration and development costs compared to \$1.3 million for the same period ended in 2010.

As a result of adoption of IFRS, the Company changed its functional currency from the USD dollar to the Canadian dollar. As a result of this change, common share purchase warrants denominated in currency other than functional currency must be reported separately in the liability section as a derivatives liability. At each reporting period, the warrants are fair valued and the change in the fair value is included in the consolidated statement of operations. Under former Canadian GAAP, such equity instruments were included in the warrants of the shareholder's equity sections. During the second quarter ended June 30, 2011, the change in fair value of warrants denominated in currency other than Canadian dollar amounted to \$0.8 million unrealized gain. There were no such warrants outstanding during the second quarter ended June 30, 2010.

During the second quarter ended June 30, 2011, the Company capitalized exploration and development costs to mineral properties for a net total of \$1.2 million relating to the Bambari Permits compared to nil amount during the three months ended June 30, 2010. The mining permit for Bambari was obtained in August, 2010, which becomes the starting point for capitalizing exploration and evaluation assets for Bambari.

As at June 30, 2011 the Company's cumulative capitalized carrying value of mineral properties was \$20.5 million compared to nil amount as at June 30, 2010. As explained above, adopting IFRS and change to the accounting policy are the principal reason for this variance.

As at June 30, 2011, exploration, evaluation and evaluation assets relating to Mali of \$1.0 million, compared to \$4.4 million in 2010 were reclassified and reported as assets of discontinued operations. The decrease results from the completed sales of the permits.

The amount of available-for-sale securities at June 30, 2011 approximated the amount in 2010 and amounted to \$1.6 million and \$1.7 million respectively. The entire amount relates to shares received from Avion as a consideration for the completed sale.

Amounts receivable increased by \$3.2 million when compared to 2010 \$0.1 balance. The increase is due to the recording of accounts receivable for the Avion shares relating to the closing of the mining permits transferred.

Total liabilities at the end of June 30, 2011 amounted to \$5.2 million compared to \$2.6 million in 2010. The increase is mainly attributed to the bonus payments payable to the Government of CAR of \$2.8 million, the unrealized fair value of derivatives of \$0.8 million offset by the repayment of the loan to AOG in the amount of \$1.7 million and the increase in accounts payable and accrued liabilities by \$0.6 million.

### **Gain/loss from Discontinued Operations**

The assets, liabilities and results of operations of Mali have been separately reported as discontinued operations in the consolidated statement of financial position and consolidated statements of operations and comprehensive loss.

For the second quarter ended June 30, 2011, the Company incurred general and exploration costs in the amount of \$115, net loss on disposal of marketable securities of \$143 and recorded a net loss from the discontinued operations of \$258. During the quarter ended June 30, 2010, the loss from the discontinued operations was \$126. The main difference in increase of the loss during the current quarter relates to the loss on disposal of the marketable securities incurred in 2011.

### Liquidity and Capital Resources

#### Going Concern

The Company is in its development stage. Aside from the properties that comprise the Passendro Gold Project, it has not yet determined whether other properties in its exploration portfolio contain resources that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable resources, the ability of the Company to obtain all necessary permits and raise financing to complete the exploration and development, and future profitable production or proceeds from the disposition of such properties. In addition, the Company's properties may be subject to sovereign risk, including political and economic uncertainty, changes in existing government regulations to mining which may withhold the receipt of required permits or impede the Company's ability to acquire the necessary surface rights as well as currency fluctuations and local inflation. These risks may adversely affect the investment in the properties and may result in the impairment or loss of all or part of the Company's investment.

The interim condensed consolidated financial statements have been prepared on the basis that the Company is a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at June 30, 2011, the Company has a working capital of \$3,505, no source of operating cash flows and does not have sufficient cash to fund the development of its properties. It will require additional financing or other sources of funding, which if not raised, would result in the curtailment of activities.

To date, the Company has raised funds principally through the issuance of shares and the sale of its marketable securities. In the foreseeable future, the Company will likely remain dependent on the issuance of shares and the availability of project financing to raise funds to explore and develop its properties. Management expects that it will be able to fund its immediate cash requirements and will require funding through financing to allow the Company to continue future exploration and development activities. However, there can be no assurance that it will be successful.

The award of the Mining License for the Passendro Gold Project and the signing of a Mandate Letter with the Standard Bank of South Africa to arrange and underwrite a \$100 million term loan are important milestones for the Company's operations. However, additional funding will be required to proceed with the development towards commercial production.

There can be no assurances that the Company's activities will be successful, or sufficient funds can be raised in a timely manner. As a result, there is significant doubt regarding the "going concern" assumption and accordingly, the use of accounting principles applicable to a going concern. The 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. If the "going concern" assumption was not appropriate for the consolidated financial statements, then adjustments to the carrying values of the assets and liabilities, expenses and balance sheet classifications, which could be material, would be necessary.

#### Liquidity and Capital Resources

The Company disposed 731,250 marketable securities of Avion during the second quarter period ended June 30, 2011 generating net cash inflow of \$1.1 million. In January, 2011, the Company disposed all 9,571,427 marketable securities of Copper Development Corporation ("CDC") generating net cash flow inflow of \$4.5 million.

Subsequent to the second quarter, in July, 2011, the company disposed additional 787,500 shares of Avion for net proceeds of C\$1.7 million. These transactions and the net proceeds of C\$9.5 million raised through private placement in November, 2010 have been the main source of funding for the company's ongoing expenditures.

On January 11, 2011, the Company fully repaid its loan from its significant shareholder AOG Holdings BV ("AOG"), a wholly owned subsidiary of the Addax and Oryx Group Limited. The loan amount and accrued interest totalled to C\$1,740. These loans were provided to the Company in three tranches, totalling C\$1.6 million bearing interest at 9% per annum.

The Company's main sources of funding continue to be in equity markets, marketable securities, outstanding warrants and options. As at June 30, 2011, the Company had cash resources of \$3.5 million compared to \$7.8 million balance as at June 30, 2010. All of these amounts are retained as cash on deposit, thus minimizing the credit risk. The decrease in cash resources at June 30, 2011 is due to cash acquired from AfNat of \$10.3 million during the quarter ended June 30, offset by cash inflow from sources as described above and funding of the ongoing company's operations.

As at June 30, 2011, the Company had a working capital of US\$3.5 million compared to a working capital of US\$8.8 million as at June 30, 2010. The decrease in working capital in 2011 results from cash results from lower cash position when compared to 2010 when AXMIN acquired \$10.3 cash from AfNat in June, 2010.

### Contractual Obligations

The Company has entered into agreements to lease premises for period until October 31, 2013. The annual rent of premises consists of minimum rent of US\$112 plus realty taxes, maintenance and utilities.

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Related Parties

During the second quarter ended June 30, 2011 and 2010, the Company incurred:

- (a) \$213 (2010 - \$413) in legal services provided by a partnership related to a director of the Company. As at June 30, 2011, \$229 (2010 - \$61) was due to this partnership.
- (b) \$0 (2010 - \$11) in management services from the Addax and Oryx Group ("AOG"). As of June 30, 2010, the management fee was no longer payable and the balance owing to AOG was fully paid in July, 2010.

### New Accounting Pronouncements

#### ***First Time Adoption of IFRS***

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian Generally Accepted Accounting ("GAAP") principles would cease for publicly accountable enterprises and the International Financial Reporting Standards ("IFRS") would become the new basis of accounting. The effective changeover date was January 1, 2011, at which time Canadian GAAP was replaced by IFRS.

The Company's interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2011 have been prepared in accordance with International Financial Reporting Standard 1 *First-time adoption of IFRS* ("IFRS 1") and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board.

The Company adopted IFRS in 2011 with a transition date of January 1, 2010. The interim condensed consolidated financial statements have been prepared using the accounting policies the Company expects to adopt in its annual financial statements for the year ending December 31, 2011. These accounting policies and the effect of the first-time adoption of IFRS have been disclosed in the interim condensed consolidated financial statements for the three months period ended March 31, 2011.

#### ***Notes for reconciliations from Canadian GAAP to IFRS***

Set out below are the relevant areas identified, where changes in accounting policies impacted the Company's interim condensed consolidated financial statements based on the accounting policy choices available.

#### Exploration and Evaluation (E&E) Assets – IFRS 6

The Company's accounting policy under Canadian GAAP was to capitalize acquisition costs of mineral properties, together with direct exploration and development expenses.

Upon adoption of IFRS, the management has determined that the Company's accounting policy for exploration and evaluation assets would be to expense all exploration expenditures prior to the point of a feasibility study and exploitation permit and capitalized to mineral properties after the feasibility study is completed and the exploitation mining permit is obtained.

Adopting the new accounting policy has significant impact on the Company's financial statements. All existing mineral properties, \$26,485 were written off at the transition date, January 1, 2010 as reflected in the consolidated statement of operations and deficit. During the quarter ended June 30, 2010, \$27,342 of exploration costs was expensed.

#### Share Based Payments – IFRS 2

IFRS 2 and Canadian GAAP largely converge on the accounting treatment for share based transactions with only a few differences. Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. IFRS 2, on the other hand, allows only the accelerated method (often referred to as graded vesting). Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian

GAAP forfeitures can be recognized as they occur. Adoption of IFRS gives rise to an accelerated compensation expense and the method of forfeiture recognition.

Upon adoption of IFRS 2, the accounting policy was applied retrospectively to all equity instruments that have not vested as at January 1, 2010, the transition date. Due to the low number of unvested options at the transition date, the impact of the retrospective application of the graded vesting method resulted in a \$10 increase to the contributed surplus and deficit. For the quarter ended June 30, 2010, share-based compensation was increased by \$2.

### Impairment of Long Lived Assets – IAS 36

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows.

International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets was previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Management has tested for impairment based on criteria established in IAS 36 and concluded that there is no impairment of the existing assets.

### Foreign Currency – IAS 21

Under Canadian GAAP, there are two types of foreign operations: integrated (which is translated as if it has the same functional currency as the parent), and self-sustaining (which is translated as if it has a functional currency different from the parent).

Under Canadian GAAP, an entity is not explicitly required to assess the unit of measure (functional currency) in which it measures its own assets, liabilities, revenues and expenses, but rather only assesses the functional currency of its foreign operations. Further there is no ranking of factors used for determination of functional currency. Under Canadian GAAP, the functional currency of the consolidated entity was the United States dollar ("USD"), which was also the presentation currency of the Company's financial statements.

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Management performed analysis considering primary and secondary indicators described in IAS 21 for each legal entity in determining the functional currency for each entity. Based on management's evaluation, the Company's functional currency is the Canadian dollar. Transactions in currencies other than the Canadian dollar are initially recorded at the exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate as at the date of the consolidated statement of financial position. All differences are recorded in the consolidated statement of operations. Non-monetary items are translated using the historical exchange rates as at the dates of the initial transactions.

For a foreign operation whose functional currency is not the Canadian dollar, the foreign operation's assets and liabilities are translated at the closing rate as at the date of the consolidated statement of financial position, and revenue and expenses are translated using the rate as at the time of the transaction. All exchange differences resulting from the translation are recognized in other comprehensive income.

The Company's consolidated financial statements are reported in U.S. dollars, which is the Company's presentation currency. In translating the financial results from Canadian dollars to U.S. dollars, the Company uses the following method: assets and liabilities are translated at the exchange rate in effect as at the date of the consolidated statement of financial position; revenues and expenses are translated at the rate effective at the time of the transaction or the average rate for the period; and shareholders' equity is translated at the rate effective at the time of the transaction. Unrealized gains and losses resulting from the translation to the U.S. dollar presentation currency are included in other comprehensive income.

### ***Recent accounting pronouncements***

The following are new pronouncements approved by the International Accounting Standards Board ("IASB"). The following new Standards and Interpretations are not yet effective and have not been applied in preparing these financial statements, however, may impact future periods.

### *IFRS 7 Financial Instruments: Disclosures*

In October 2010, the IASB amended IFRS 7 to enhance the disclosure about transfers of financial assets. This improvement is to assist users in understanding the possible effects of any risks that remain in an entity after the asset has been transferred. In addition, if disproportionate amounts are transferred near year end, additional disclosures would be required. The effective date of the amendment is July 1, 2011. The Company has determined that the adoption of this amendment will not have a material impact on the consolidated financial statements.

### *IFRS 9 Financial Instruments: Classification and Measurement*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the Board also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard on the effective date of January 1, 2013. The Company has not determined the impact of the new standard on the consolidated financial statements.

### *IFRS 10 Consolidated Financial Statements*

*IFRS 10 Consolidated Financial Statements* will replace portions of *IAS 27 Consolidated and Separate Financial*

*Statements and interpretation SIC-12 Consolidation – Special Purpose Entities*. The key features of IFRS 10 include consolidation using a single control model, definition of control, considerations on power, and continuous reassessment. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

### *IFRS 11 Joint Arrangements*

*IFRS 11 Joint Arrangements* will apply to interests in joint arrangements where there is joint control. IFRS 11 would require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation would be removed, equity accounting would be required. Venturers would transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

### *IFRS 12 Disclosure of Interests in Other Entities*

The IASB has issued *IFRS 12 Disclosure of Involvement with Other Entities*, which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. This standard is effective for annual periods beginning on or after January 1, 2013. Entities will be permitted to apply any of the disclosure requirements in IFRS 12 before the effective date. The Company has not determined the impact of the new standard on the consolidated financial statements.

### *IFRS 13 Fair Value Measurement*

IFRS 13 will generally converge the IFRS and US GAAP requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. The key features of IFRS 13 include: a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied, fair value would be defined as the 'exit price', and concepts of 'highest and best use' and 'valuation premise' would be relevant only for non-financial assets and liabilities. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

### *IAS 27 Separate Financial Statements*

As a result of the issue of the new consolidation suite of standards, IAS 27 *Separate Financial Statements* has been reissued as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company does not believe IAS 27 will have a material impact on the Company's consolidated financial statements.

### *IAS 28 Investments in Associates and Joint Ventures*

As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the consolidated financial statements.

### *IAS 1 Presentation of Financial Statements*

Amendments to IAS 1- Presentation of Financial Statements - was issued in June 2011 and is effective for annual periods beginning on or after July 1, 2012. IAS 1 should be applied retrospectively, but early adoption is permitted. The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories. The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

## **Risk Factors**

Due to the nature of the Company's business and present stage of exploration and development of its mineral properties, the Company faces risk factors and uncertainties, similar to those faced by other exploration and development companies.

The following is a description of significant risk factors:

### ***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.

Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration for, and development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

### ***Ability to Raise Funds***

Because the Company has been an exploration Company, the Company is dependent upon its ability to raise funds in order to carry out its business. With ongoing cash requirements for exploration, development and new operating activities, it will be necessary in the near future and over the long-term to raise substantial funds from external sources. If the Company does not raise these funds,

it would be unable to pursue its business activities and investors could lose their investment. If the Company is able to raise funds, investors could experience a dilution of their interests which may negatively impact the market value of the shares.

### ***Substantial Funding Requirement***

The Company requires substantial funds to build its proposed mine at the Passendro gold property which it may not be able to raise in the current economic environment. In order to construct a mine at its Passendro property, the Company estimates it will require approximately US\$250-275 million. However, in the current economic environment there is substantial doubt that the Company would be able to raise these funds through sales of its equity, the means it has used to finance its operations in the past. In addition, although the Company has investigated the possibility of financing construction of the mine through debt, there can be no assurance that debt financing would be available on acceptable terms, if at all. In the event that the Company is unable to raise the necessary funds to build the mine, the Company will not be able to realize the benefit from the recovery of gold on the Passendro property.

### ***No Production Revenues; History of Losses***

AXMIN does not currently operate a mine on any of its properties. 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.

To date, the Company has not recorded any revenues from 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 Company does not expect to receive revenues from operations in the foreseeable future. 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.

### ***Uncertainty in the Estimation of Mineral Reserves and Resources***

There is a degree of uncertainty to the calculation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed the quantity of mineral resources and mineral reserve grades must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the properties.

The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources could have an adverse effect on AXMIN's results of operations and financial position.

### ***Nature of Mineral Exploration***

Other than with respect to the properties that comprise Passendro in CAR, none of the properties in which AXMIN has an interest contain a known body of commercial ore. The exploration and development of mineral deposits involve significant financial risks over a significant period of time whereby a combination of careful evaluation, experience and knowledge may not fully eliminate the risks. 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. If AXMIN's 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. There are also risks against which AXMIN could not insure or against which it may elect not to insure. The potential costs that 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 mineral 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.

### ***Uncertainty Relating to Inferred Mineral Resources***

Inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

### ***Political Risk***

AXMIN currently conducts its exploration activities in the African countries of CAR, Mali, Sierra Leone, Senegal and Mozambique. A significant portion of the Company's mineral properties are located in CAR and as such the success of the Company will be influenced by a number of factors including the legal and political risks associated with that country. There have been recent news reports of a deteriorated security situation in the north-eastern sector of CAR. To date, AXMIN's operations have not been materially affected by these activities. The Company's management is continuing to monitor this situation.

There is no assurance that future political and economic conditions in CAR, Mali, Sierra Leone, Mozambique and Senegal will not result in their respective 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 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. The Company's projects may be subject to the effects of political changes, war and civil conflict, changes in government policy, lack of law enforcement and labor unrest and the creation of new laws. The effect of unrest and instability on political, social or economic conditions in the countries in which the Company carries on its business could result in the impairment of the exploration, development and possibly halt its mining operations at those projects. Any such changes are beyond the control of the Company and may adversely affect its business.

### ***Insurance and Uninsured Risks***

AXMIN's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to AXMIN's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability. If any such catastrophic event occurs, investors could lose their entire investment.

Although AXMIN maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with its operations. AXMIN may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to AXMIN or to other companies in the mining industry on acceptable terms. AXMIN might also become subject to liability for pollution or other hazards which may not be insured against or which AXMIN may elect not to insure against because of premium costs or other reasons. Losses from these events may cause AXMIN to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### ***Government Regulation***

AXMIN's mineral exploration and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although AXMIN's exploration and development activities are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Many of the mineral rights and interests of AXMIN are subject to government approvals, licences and permits. Such approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that AXMIN will be successful in maintaining any or all of the various approvals, licences and permits in full force and effect without modification or revocation.



Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

### ***Contractual Arrangements and Joint Ventures***

AXMIN has entered into and may in the future enter into contractual arrangements to acquire interests in mineral resource properties with governmental agencies and joint venture agreements 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. The Company may lose its option rights and interests in joint ventures if it is not able to fulfill its share of costs. As such, the contractual arrangements may be subject to cancellation or unilateral modification. 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.

### ***Commodity Price Fluctuations***

The development and success of any project of the Company will be primarily dependent on the future price of gold and other metals. Commodity prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and political and economic conditions. The price of gold and other metals has fluctuated widely in recent years, and future price declines could cause any future development of and commercial production from the Company's properties to be impracticable.

If the price of gold (including other base and precious metals) is below the cost to produce gold, the properties will not be mined at a profit. Fluctuations in the gold price affect the Company's reserve estimates, its ability to obtain financing and its financial condition as well as requiring reassessments of feasibility and operational requirements of a project. Reassessments may cause substantial delays or interrupt operations until the reassessment is finished.

### ***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, Euros and also in the currencies of the CAR, Mali, Senegal (CFA Franc), Sierra Leone (Sierra Leone Leone's) and Mozambique (Mozambique New Metical). There is no guarantee that these other currencies will be convertible into Canadian and United States dollars in the future and foreign currency fluctuations may adversely affect AXMIN's financial position and operating results. AXMIN currently does not undertake currency hedging activities.

### ***Title Matters***

Title to AXMIN's properties may be challenged or impugned. There is no guarantee 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. While AXMIN has applied for rights to explore various properties and may also do so in the future, 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. If title to properties is challenged or impugned, the Company may not be able to explore, develop or operate its properties as permitted and enforce its rights to these properties.

### ***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.

### ***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 Risks and Hazards***

All phases of AXMIN's operations are subject to environmental regulations in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. 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 is no assurance that future changes in environmental regulation, if any, will not adversely affect AXMIN's operations. Environmental hazards may exist on the properties on which AXMIN holds interests which are unknown to AXMIN at present and which have been caused by previous or existing owners or operators of the properties.

### ***Concentration of Share Ownership***

As at the date of this report, AOG, holds approximately 26% of the common shares issued by the Company. AOG is able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions.

### ***Stock Price Volatility***

The market price of the common shares, like that of the common shares of many other junior mining companies, has been and is likely to remain volatile. Results of exploration activities, the price of gold and silver, future operating results, changes in estimates of the Company's performance by securities analysts, market conditions for natural resource shares in general, and other factors beyond the control of the Company, could cause a significant decline on the market price of common shares.

### ***Future Sales of Shares by Existing Shareholders***

Sales of a large number of common shares of the Company in the public markets, or the potential for such sales, could decrease the trading price of the common shares of the Company and could impair AXMIN's ability to raise capital through future sales of common shares of the Company.

### ***Health Issues***

HIV/AIDS, malaria and other diseases represent a serious threat to maintaining a skilled workforce in the mining industry of central and West Africa. As such HIV/AIDS is a major healthcare challenge faced by AXMIN's operations. There can be no assurance that AXMIN will not incur the loss of its contractors, members of its workforce or workforce hours or incur increased medical costs, which may have a material adverse effect on AXMIN's operations.

### ***Compliance with Health and Safety Regulations***

AXMIN operates in the mining industry, which is a hazardous industry. While management believes that AXMIN is in material compliance with all health and safety regulations, the adoption and enforcement of more stringent regulations in the future could adversely affect operational flexibility and costs.

### ***Requirement for Permits and Licences***

The operations of AXMIN require licences, permits and in some cases renewals of existing licences and permits from various governmental authorities. Management believes that AXMIN currently holds or has applied for all necessary licences and permits to carry on the activities that it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that AXMIN is complying in all material respects with the terms of such licences and permits. However, AXMIN's ability to obtain, sustain or renew such licences and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental authorities.

### ***Dividend Policy***

No dividends have been paid to date on the shares. AXMIN anticipates that for the foreseeable future it will retain any future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of AXMIN's Board of Directors after taking into account many factors, including AXMIN's operating results, financial condition and current and anticipated cash needs.

### Share Capital

As at the date of this report the outstanding common shares and other securities of the Company comprise:

<b>Securities</b>	<b>Common shares on exercise</b>
Common shares	628,271,747
Stock options	32,050,000
Common share purchase warrants	130,851,758
<b>Fully diluted share capital</b>	<b>791,173,505</b>

### Contingencies

In the ordinary course of business activities, the Company is subject to various claims, including those related to income and other taxes at its foreign subsidiaries. Management believes that adequate provisions are recorded in the accounts where required and when estimable. However, there can be no assurance that the Company will not incur additional expenses.

### Forward-Looking Statements

This report contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performances of AXMIN, its subsidiaries and their respective projects, the future price of gold, base metals and other commodities, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation and rehabilitation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking information statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of AXMIN and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, those factors discussed in the section entitled "Risk Factors" in this report. Although AXMIN has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this report based on the opinions and estimates of management, and AXMIN disclaims any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, 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)) and the Company's website ([www.axmininc.com](http://www.axmininc.com)).

On behalf of the Board of Directors

*"Signed"*

George Roach  
*President, Chief Executive Officer & Director*

August 22, 2011

## Interim Condensed Consolidated Statement of Financial Position

(Nature of operations and going concern – Note 1)

(Unaudited and expressed in thousands of United States dollars)

As at	June 30, 2011	December 31, 2010 (note 16)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,504	9,278
Available-for-sale securities (note 14)	1,584	6,599
Amounts receivable	127	138
Amounts receivable – other (note 4b)	3,349	3,060
Prepaid expenses and deposits	172	223
	<b>8,736</b>	<b>19,298</b>
<b>Non-current assets</b>		
Mineral properties (note 4a)	20,496	16,797
Property, plant and equipment (note 5)	2,800	2,800
Goodwill (note 6)	2,236	2,236
Assets of discontinued operations (note 7)	1,052	1,230
Long-term receivable (note 4b)	120	1,530
Other assets, net	42	48
	<b>26,746</b>	<b>24,641</b>
	<b>35,482</b>	<b>43,939</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,055	937
Amounts payable to Government of the CAR (note 4a)	2,761	2,902
Current portion of shareholder loan (note 9)	-	548
Amounts due to related parties (note 9)	229	90
Unrealized fair value of derivatives	860	1,860
Liabilities of discontinued operations (note 7)	326	326
	<b>5,231</b>	<b>6,663</b>
<b>Non-current liabilities</b>		
Long-term payable to Government of the CAR (note 4a)	-	2,627
Shareholder loan – long-term (note 9)	-	1,197
	-	3,824
<b>Total Liabilities</b>	<b>5,231</b>	<b>10,487</b>
<b>Commitments and contingencies (note 10)</b>		
<b>Shareholders' equity (note 8)</b>		
Share capital	133,885	133,038
Warrants reserve	4,265	4,281
Stock option reserve	10,288	9,667
Deficit	(119,263)	(116,308)
Accumulated other comprehensive income (loss) (note 11)	1,076	2,774
	<b>30,251</b>	<b>33,452</b>
	<b>35,482</b>	<b>43,939</b>

On Behalf of the Board of Directors

"Signed"  
Robert Metcalfe, Chairman

"Signed"  
David de Jongh Weill, Director

## Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited and expressed in thousands of United States Dollars except share and per share data)

	For the six month periods ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010	2011	2010
		(note 16)		(note 16)		(note 16)
<b>Expenses</b>						
Administration	1,099	1,904	1,935	2,677		
Exploration, evaluation and development costs (note 4b)	1,074	1,085	2,816	1,259		
Loss on disposal of assets (note 4a)	-	315	-	315		
Share-based compensation (note 8)	297	450	621	445		
	<b>2,470</b>	<b>3,754</b>	<b>5,372</b>	<b>4,696</b>		
<b>Other Income</b>						
Loss (gain) on foreign exchange	(11)	242	(25)	244		
Loss (gain) on sale of marketable securities (note 14)	-	-	(1,403)	-		
Unrealized loss (gain) on shares receivable from Avion (note 4b)	(474)	-	(155)	-		
Change in fair value of derivatives	(800)	-	(1,000)	-		
Interest expense, net	-	34	(1)	55		
	<b>(1,285)</b>	<b>276</b>	<b>(2,584)</b>	<b>299</b>		
Loss from continuing operations before income taxes for the period	1,185	4,030	2,788	4,995		
Deferred income tax (recovery) expense	(17)	-	(17)	-		
<b>Net loss from continuing operations for the period</b>	<b>1,168</b>	<b>4,030</b>	<b>2,771</b>	<b>4,995</b>		
<b>Loss (gain) from discontinued operations, net of income taxes (note 7)</b>	<b>258</b>	<b>126</b>	<b>184</b>	<b>1,408</b>		
<b>Net loss for the period</b>	<b>1,426</b>	<b>4,156</b>	<b>2,955</b>	<b>6,403</b>		
<b>Other comprehensive income</b>						
Changes in unrealized loss (gain) on available-for-sale financial assets arising during the period (note 11)	(227)	383	645	108		
Change in foreign currency translation (gain) loss (note 11)	37	365	(207)	402		
<b>Comprehensive loss for the period</b>	<b>1,236</b>	<b>4,904</b>	<b>3,393</b>	<b>6,913</b>		
<b>Net loss (gain) per common share (basic and diluted)</b>						
- Continuing operations	0.002	0.011	0.004	0.015		
- Discontinued operations	0.000	0.000	0.000	0.004		
<b>Basic and diluted loss per common share</b>	<b>0.002</b>	<b>0.011</b>	<b>0.004</b>	<b>0.019</b>		
<b>Weighted average number of common shares outstanding</b>	<b>626,037,055</b>	<b>346,513,359</b>	<b>626,030,193</b>	<b>327,353,076</b>		

See accompanying notes to the interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited and expressed in thousands of United States Dollars except share data)

	2011		2010	
	Number	Amount (\$)	Number	Amount (\$)
For the six month periods ended June 30,				
<b>Share capital</b>				
<b>Authorized:</b> Unlimited common shares				
<b>Issued:</b> Common shares				
<b>Balance, beginning of period</b>	<b>623,580,534</b>	<b>133,038</b>	307,979,901	105,374
Shares issued on acquisition of minority interest in the Sierra Leone project (note 4b and note 8)	4,388,370	811	-	-
Shares issued on acquisition of AfNat (note 6)	-	-	206,267,333	19,547
Shares issued to consultant (note 8)	302,843	36	-	-
<b>Balance, end of period</b>	<b>628,271,747</b>	<b>133,885</b>	514,247,234	124,921
<b>Warrants reserve</b>				
<b>Balance, beginning of period</b>	<b>135,846,878</b>	<b>4,281</b>	55,966,667	2,781
Warrants issued (note 6)	-	-	14,961,345	395
Warrants expired (note 8)	(4,995,120)	(16)	(15,240,150)	(1,555)
<b>Balance, end of period</b>	<b>130,851,758</b>	<b>4,265</b>	55,687,862	1,621
<b>Stock options reserve</b>				
<b>Balance, beginning of period</b>		<b>9,667</b>		6,039
Share-based compensation expense (note 8)		621		445
Excess of fair value of warrants over AfNat's options cancelled on acquisition (note 6)		-		256
Expiry of warrants (note 8)		-		1,555
<b>Balance, end of period</b>		<b>10,288</b>		8,295
<b>Deficit</b>				
<b>Balance, beginning of period (note 16)</b>		<b>(116,308)</b>		(106,774)
Net income (loss) for the period		(2,955)		(6,403)
<b>Balance, end of period</b>		<b>(119,263)</b>		(113,177)
<b>Accumulated other comprehensive income, net of tax</b>				
<b>Balance, beginning of period</b>		<b>2,774</b>		801
Reclassification of realized gain on sale of available-for-sale financial assets arising during the period (note 11)		(1,260)		-
Changes in unrealized gain (loss) on available-for-sale financial assets arising during the period (note 11)		(645)		(108)
Effects of foreign currency translation (note 11)		207		402
<b>Balance, end of period</b>		<b>1,076</b>		1,095
<b>Shareholders' equity, end of period</b>		<b>30,251</b>		22,755

See accompanying notes to the interim condensed consolidated financial statements.

## Consolidated Statements of Cash Flows

(Unaudited and expressed in thousands of United States Dollars)

For the six month periods ended June 30,	2011	2010 (note 16)
<b>Operating Activities</b>		
Net loss for the period– continuing operations	(2,771)	(4,995)
Net loss for the period – discontinued operations (note 7)	(184)	(1,408)
Impairment charges (note 7)	-	985
Loss on disposal of assets (note 4)	-	315
Share-based compensation expense	621	445
Exploration, evaluation and development costs financed with share issuance	811	-
Unrealized loss (gain) on foreign exchange	157	(160)
Provision (tax recovery) for income tax expense (note 8)	(16)	121
Unrealized loss (gain) on shares receivable from Avion (note 4b)	(155)	-
Unrealized gain on fair value of derivatives	(1,000)	-
Non-cash consideration from discontinued operations (note 7)	(180)	-
Realized gain on sale of marketable securities (note 11)	(1,260)	-
Changes in non-cash working capital	(291)	169
Amortization of other assets	6	6
<b>Net cash outflow from operating activities</b>	<b>(4,262)</b>	<b>(4,522)</b>
<b>Investing Activities</b>		
Additions to mineral properties (note 4a)	(2,890)	-
Change in amounts payable relating to mineral properties	(2,448)	-
Cash acquired through acquisition (note 6)	-	10,361
Proceeds from sale of assets (note 4a)	-	489
Proceeds from sale of marketable securities (note 14)	5,581	-
Proceeds from sale of discontinued operations (note 4b)	86	-
<b>Net cash inflow (outflow) from investing activities</b>	<b>329</b>	<b>10,850</b>
<b>Financing Activities</b>		
Proceeds (repayment) of loan (note 9)	(1,750)	1,033
Cost of share issuance (note 8)	-	(29)
<b>Net cash inflow (outflow) from financing activities</b>	<b>(1,750)</b>	<b>1,004</b>
<b>Foreign exchange gain on cash and cash equivalents held in foreign currency</b>	<b>(77)</b>	<b>160</b>
<b>Change in cash and cash equivalents during the period</b>	<b>(5,760)</b>	<b>7,492</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>9,278</b>	<b>340</b>
<b>Cash and cash equivalents, discontinued operations (note 7)</b>	<b>(14)</b>	<b>(20)</b>
<b>Cash and cash equivalents, end of period</b>	<b>3,504</b>	<b>7,812</b>
<b>Supplemental Cash Flow Information</b>		
Interest	-	-
Income taxes (recovered) paid	-	-

See accompanying notes to the interim condensed consolidated financial statements.

## **1. Nature of operations and going concern**

AXMIN Inc. ("AXMIN" or the "Company") is incorporated under the laws of Ontario and is an international mineral exploration company with an exploration portfolio in the mineral belts of central and west Africa. A significant portion of the Company's exploration and development costs relate to its Passendro Gold Project (the "Project" or "Passendro") situated on a portion of the Bambari property in the Central African Republic (the "CAR"). The Company holds its interest in this property through its wholly owned CAR registered subsidiaries, Arafrique S.A.R.L. ("Arafrique"), which holds prospecting and exploration permits for the property, and SOMIO Toungou SA, which holds the mining permit for the Passendro project.

Following the acquisition of AfNat Resources Limited ("AfNat") in June 2010, the Company acquired exploration interests with mineral exploration projects in Mozambique, Zambia and Philippines. The interest in Zambia was subsequently sold in November 2010 and the interest in the Philippines was sold in January 2011.

The Company is in its development stage. Aside from the properties that comprise the Passendro project, it has not yet determined whether other properties in its exploration portfolio contain resources that are economically recoverable. The recoverability of the amounts shown for exploration and development costs is dependent upon the existence of economically recoverable resources, the ability of the Company to obtain all necessary permits and raise financing to complete the exploration and development, and future profitable production or proceeds from the disposition of such properties. In addition, the Company's properties may be subject to sovereign risk, including political and economic uncertainty, changes in existing government regulations to mining which may not uphold the Company's 25-year Mining Permit and the associated contractual agreements, as well as currency fluctuations and local inflation. These risks may adversely affect the investment in the properties and may result in the impairment or loss of all or part of the Company's investment.

These interim condensed consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at June 30, 2011, the Company had working capital of \$3,505, no source of operating cash flows and did not have sufficient cash to fund the development of the Passendro Project and its properties. It will require additional financing or other sources of funding, which if not raised, would result in the curtailment of activities. As a result, there is significant doubt regarding the ability of the Company to continue as a going concern.

To date, the Company has raised funds principally through the issuance of shares. In the foreseeable future, the Company will likely remain dependent on the issuance of shares and the availability of project financing. Management expects that it will be able to fund its immediate cash requirements and will require funding through financing or the sale of assets to allow the Company to continue future exploration and development activities. However, there can be no assurances that the Company's financing activities will be successful or sufficient funds can be raised in a timely manner.

These interim condensed 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. If the "going concern" assumption was not appropriate for these consolidated financial statements, then adjustments to the carrying values of the assets and liabilities, expenses and consolidated balance sheet classifications, which could be material, would be necessary.

## **2. Basis of preparation – statement of compliance**

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard 1 *First-time adoption of IFRS* ("IFRS 1") and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2010, prepared under Canadian generally accepted accounting principles ("Canadian GAAP") and the interim condensed consolidated financial statements as at and for the three months ended March 31, 2011.

The Company adopted IFRS in 2011 with a transition date of January 1, 2010. These interim condensed consolidated financial statements have been prepared in accordance with IFRS using the accounting policies the Company expects to adopt in its annual financial statements for the year ending December 31, 2011. These accounting policies and the effect of the first-time adoption of IFRS have been disclosed in the interim condensed consolidated financial statements for the three months ended March 31, 2011. The transition to IFRS resulted in changes to the Company's previous accounting policies as applied and disclosed in the consolidated financial statements for the year ended December 31, 2010, prepared in accordance with Canadian GAAP. A summary of the significant changes to the Company's accounting policies is disclosed in Note 16 along with the impact of the changeover to IFRS on the comparative periods.



**AXMIN Inc.**

**Notes to the Interim Consolidated Financial Statements**

**For the six months period ended June 30, 2011 and 2010**

*(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

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The accounting policies applied in these interim condensed consolidated financial statements are based on IFRS issued and effective as of the date they were approved by the Audit Committee of the Board of Directors. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in the restatement of these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements of the Company have not been reviewed by an auditor and were authorized for issuance by the Audit Committee of the Board of Directors on August 22, 2011.

**3. Summary of presentation and significant accounting judgements, estimates and assumptions**

***Basis of Presentation***

The unaudited condensed consolidated interim financial statements for the six-month period ended June 30, 2011 have been prepared in accordance with IFRS and reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

***Basis of Consolidation***

The interim condensed consolidated financial statements comprise the financial statements of the Company and subsidiaries as at June 30, 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is defined as the power to govern financial and operating policies to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-company transactions, balances and expenses are eliminated on consolidation.

The consolidated financial statements include the accounts of the Company and its subsidiaries, as follows:

AXMIN Limited (BVI)	100% owned
AXMIN Sierra Leone Limited (SL)	100% owned
Nimini Mining Ltd. (SL)	100% owned
Aurafrique SARL (CAR)	100% owned
SOMIO Toungou SA (CAR)	100% owned
AfNat Resources Limited (Bermuda)	100% owned

***Significant accounting judgements, estimates and assumptions***

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses and other income during the reporting periods. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experiences.

Significant estimates and assumptions include those related to the recoverability of mineral properties and benefits of future income tax assets, share compensation valuation assumptions and determinations as to whether costs are expensed or deferred. While management believes that these estimates and assumptions are reasonable, actual results may differ from the amounts included in the financial statements.

**AXMIN Inc.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months period ended June 30, 2011 and 2010**  
*(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

**4. Exploration and evaluation assets**

a) *Mineral properties*

Mineral properties include the Bambari properties for the Passendro gold project located in the Central African Republic ("CAR").

	<b>Bambari (CAR)</b>	<b>Others</b>	<b>Total</b>
Balance as at January 1, 2010	-	-	-
Additions	7,027	-	7,027
Issuance of shares and warrants	3,262	-	3,262
Amounts payable to Government of CAR	5,529	-	5,529
Mineral properties acquired – Mozambique (note 6)	-	979	979
Mineral properties acquired - Zambia (note 6)	-	2,794	2,794
Disposal of Zambian property	-	(2,794)	(2,794)
<b>Balance as at December 31, 2010</b>	<b>15,818</b>	<b>979</b>	<b>16,797</b>
Additions	3,565	-	3,565
Increase in amounts payable to Government of CAR	134	-	134
<b>Balance – June 30, 2011</b>	<b>19,517</b>	<b>979</b>	<b>20,496</b>

*Central African Republic*

AXMIN holds a 100% interest in the Bambari properties which consist of a 25-year Mining Licence (355 sq km), granted in August 2010 and ring fenced by two Exploration Licences, Bambari 1 and 2 (1,240 sq km), granted also in August 2010. The Bambari properties had been the subject of substantial exploration by AXMIN since the discovery of the Passendro project. Passendro is situated in the centre of the Mining Licence which is ring-fenced by the two Bambari Exploration Licences. In September 2009, the Company expressed to the Government of CAR its intention not to renew Bakala, Bogoin II and Pouloubou properties, which were written off in prior years.

The Passendro property is subject to a 2% net smelter royalty ("NSR") payable to United Reef Limited ("URL") from the date of commencement of commercial production. Payment of the NSR will commence once all capital expenditures have been recovered by the Company. Starting one year from the date of commencement of first commercial production and until such time as all capital expenditures have been recovered, URL will annually receive advance royalty payments of C\$100. Such advance royalty payments shall be deductible from payments of the NSR. The Company has the right to purchase part or all of the 2% NSR at a rate of C\$500, payable in cash or shares of the Company, for each 0.5% royalty interest during the initial five years of production from the Bambari property.

On January 31, 2011, AXMIN announced the completion of the revalidated Feasibility Study ("FS") for its 100% owned Passendro project in CAR. The study indicates an average annual production of 205,000 ounces with an average cash cost of \$437/oz, resulting in a rapid project payback of 2.2 years. The FS was led by SENET (PTY) Ltd. of South Africa and included a multidisciplinary team of independent consultants, all of whom were involved in the original 2008 study.

On August 9, 2010 the Company was awarded a 25-year Mining Licence for the Passendro project. The following are the highlights of the amended decree:

- 25-year Mining Licence, which covers the complete area of mineralisation set out in the 2008 Bankable Feasibility Study ("BFS");
- Two new 3-year renewable Exclusive Exploration Licences issued over the remaining areas of the Bambari 1 and 2 permits not covered in the Mining Licence;
- Area covered by the new Exclusive Exploration Licences increased by additional 270 sq km;
- Fiscal provisions of the 2006 Mining Convention remain intact; and
- Government of CAR receives a signature bonus of \$11 million payable in three tranches.

Pursuant to the agreement on August 9, 2010, on September 21, 2010 the Company issued 26,000,000 common shares valued at C\$0.085 fair market value and 20,000,000 common share purchase warrants to the Government of CAR as a consideration for the project free-carried interest on its awarded 25-year Mining Licence for the Passendro project. The total fair value of the shares and share purchase warrants amounted to \$3,262. The market value of the shares on the date of issuance was C\$2,210

**AXMIN Inc.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months period ended June 30, 2011 and 2010**  
*(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

(\$2,152). The fair value of the warrants on the date of issuance was C\$1,140 (\$1,110) and it was determined using the Black Scholes Option pricing model with assumptions described in note 7 for the warrants.

On August 18, 2010, the Company paid the first tranche of the bonus in the amount of \$5 million. The second tranche of the bonus in the amount of \$3 million was paid on April 25, 2011 and the third tranche of \$3 million is payable in April, 2012. The outstanding bonus amount payable has been accrued in the consolidated financial statements at a discount rate of 10%, which approximates AXMIN's estimated cost of borrowing.

In an effort to raise funds, during the year ended December 31, 2010, exploration equipment was disposed of for aggregate proceeds of \$566 resulting in a loss on disposal of \$375. Majority of the assets disposed occurred during the second quarter ended June 30, 2010 resulting in total proceeds of \$489 and a loss on disposal of \$315.

During 2009 and 2010, AXMIN conducted a restricted exploration program on the Bambari property. The program focused on detailed geological, geomorphological and structural mapping, limited termite sampling and trenching, where applicable. The program covered the Passendro project area and extended south to the Ndassima project area, some 30 kilometres of strike.

During 2010, fees in the amount of \$1 million paid to an independent consultant for indirect services rendered during the process of obtaining the Mining Licence have been expensed and are included in the Administration cost category on the consolidated statements of operations and comprehensive loss.

*b) Other exploration, evaluation and development costs disposed or expensed*

*Mali – discontinued operation*

On March 31, 2010, AXMIN and Avion Gold Corporation ("Avion") entered into an agreement for the sale of AXMIN's Kofi Gold Project and other ancillary permits in Mali. The total sales proceeds for the nine permits consist of C\$500 cash and 4,500,000 common shares of Avion. On June 30, 2011, six of the nine permits met the conditions for closing. The consideration for the six permits represents 70% of the total sale proceeds and consists of C\$350 cash and 3,150,000 common shares of Avion and will be paid in four tranches; 25% on closing, 25% in 3 months following the closing, 25% in 12 months following the closing and 25% in 18 months from the date of closing. As at June 30, 2011, AXMIN received cash in aggregate of C\$169 and 1,518,750 common shares of Avion. Cash received during the period ended June 30, 2011 amounted to C\$87.

AXMIN recorded a current portion receivable in the amount of \$3,349 for the tranches receivable during the 12 months period, a long-term receivable was recorded in the amount of \$120. The fair value of the Avion shares is based on its closing market price of C\$1.94 as at June 30, 2011. The share price of Avion increased from C\$1.68 on March 31, 2011 to C\$1.94 as at June 30, 2011 resulting in an unrealized gain of \$155 on the share proceeds receivable. The unrealized gain was recorded and included in the consolidated statements of operations and comprehensive loss.

The following table shows the composition of proceeds receivable as at June 30, 2011 relating to the completed sale of the six permits.

Schedule of Proceeds	Cash Receivable	# of Shares Receivable	Fair Value – Shares on December 31, 2010	Fair Value – Shares on June 30, 2011
September 11, 2011	\$6	56,250	-	\$113
December 24, 2011	84	731,250	1,448	1,472
March 11, 2012	6	56,250	-	113
May 24, 2012	84	731,250	1,448	1,472
September 11, 2012	6	56,250	-	113
<b>Total</b>	<b>\$186</b>	<b>1,631,250</b>	<b>\$2,896</b>	<b>\$3,283</b>

As at June 30, 2011, the closing of the remaining three concessions will take place once closing conditions are satisfied, which is expected to occur by the end of year 2011. The assets, liabilities and results of operations of Mali have been separately reported as discontinued operations in the consolidated statement of financial position and the consolidated statements of operations and comprehensive loss.

On February 10, 2010, AXMIN concluded a Heads of Agreement ("Agreement") with Societe d'Exploration des Mines d'Or de Sadiola ("SEMOS"), a joint venture between IAMGOLD Corporation and AngloGold Ashanti that operates the Sadiola Mine in Mali, whereby SEMOS has the potential to earn 100% interest in the Satifara exploration permit, a joint venture between AXMIN (94.45%) and African Goldfield (Mali) Limited (5.55%). The Satifara permit is located 10 km west of the Sadiola Mine. To earn a 100% interest, SEMOS must spend a minimum of \$500 over a two-year period and complete a NI 43-101 Mineral Resource

**AXMIN Inc.****Notes to the Interim Consolidated Financial Statements****For the six months period ended June 30, 2011 and 2010***(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

calculation, making payment of \$15/oz for Measured and Indicated, \$5/oz for Inferred resources and \$15/oz for any ounce of gold mineral Reserve mined. The total payment to AXMIN is capped and will not exceed \$7.5 million. The total of \$146 in exploration costs was incurred during the period ended June 30, 2011.

The following table shows the composition of exploration, evaluation and development costs that have been expensed in the consolidated statement of operations.

	<b>Bambari (CAR)</b>	<b>Nimini (Sierra Leone)</b>	<b>Others</b>	<b>Total</b>
Exploration, evaluation and development costs as at January 1, 2010	20,029	5,310	1,146	26,485
Additions	465	836	151	1,452
Disposal of exploration, evaluation and development costs – Zambia	-	-	(141)	(141)
Impairment charges	-	-	(695)	(695)
Exploration, evaluation and development costs – December 31, 2010	20,494	6,146	461	27,101
Additions	-	2,795	21	2,816
<b>Balance – June 30, 2011</b>	<b>20,494</b>	<b>8,941</b>	<b>482</b>	<b>29,917</b>

*Sierra Leone*

In March 2004, AXMIN elected to exercise an option whereby AXMIN may earn a 60% interest in the Nimini Hills project owned by AFCAN Barbados Limited (subsequently changed its name to Eldorado Gold (Barbados) Limited), a subsidiary of Eldorado Gold Corporation, by incurring expenditure of US\$2.3 million over a three-year period. During the year ended December 31, 2006, AXMIN's cumulative expenditure on the Nimini Hills project exceeded US\$2.3 million and hence AXMIN earned a 60% interest in the project. AFCAN has the right to participate on a pro rata basis or if it elects not to, then AXMIN can earn an additional 20% by producing a feasibility study. The monies spent on AFCAN's behalf to earn this additional 20% will be recovered by AXMIN from AFCAN's share of future production.

On February 15, 2011, AXMIN closed its acquisition of the minority interest in the Nimini Hills East and West licences (Komahun Gold Project), thereby increasing AXMIN's ownership in the Project to 100%. As a consideration for this acquisition, the Company issued an aggregate of 4,388,370 common shares of AXMIN to Eldorado Gold Corporation and Flaxman Corporation NV at a fair market value of C\$0.18 per common share resulting in aggregate proceeds of \$811, (C\$800).

On June 9, 2011, AXMIN and Fuller Capital Corp. ("Fuller") entered into an amalgamation agreement (the "Definitive Agreement") to spin-off AXMIN's Sierra Leone assets. Subsequently, as described in the subsequent events, note 15, AXMIN terminated the amalgamation agreement with Fuller on August 3, 2011. Pursuant to the terms of the amalgamation agreement, AXMIN must pay Fuller \$200 within 15 business days from the date of the termination of the amalgamation agreement.

During the period ended June 30, 2011 AXMIN conducted drilling program targeting resource expansion at its wholly-owned Komahun Gold Project. The initial results of the drilling campaign confirm the resource upside potential exists at Komahun.

During 2010, AXMIN incurred \$458 in consulting fees paid to a third party consultant in connection with the renewal of the exploration permits in Sierra Leone.

*Others*

Management decided not to renew the Makong property in Sierra Leone and as a result, at December 31, 2010, the full amount of exploration costs of \$695 was written-off.

On November 3, 2008, the Company concluded a joint venture with Sabodala Mining Company SARL, a wholly-owned subsidiary of Teranga Gold Corporation ("Teranga"), formerly Mineral Deposits Limited ("MDL") whereby Teranga may earn a 51% interest in AXMIN's wholly-owned gold exploration permits, Sonkounkou, Heremakono and Sabodala NW located in the Birimian belt of Eastern Senegal.

**AXMIN Inc.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months period ended June 30, 2011 and 2010**  
*(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

The terms of the joint venture agreement with Teranga include:

- a) Teranga must spend a total of \$2.5 million over three years to earn a 51% interest in each permit, with a minimum expenditure of \$500 in year one, US\$800 in year two and \$1.2 million in year three. There is a minimum expenditure of \$800 before it may contemplate withdrawing from the joint venture.
- b) Following earn-in, AXMIN may elect to maintain its 49% interest by funding future expenditure on a pro rata basis, or it may elect to dilute further to 20% in return for Teranga spending a further \$3.5 million over an additional three-year period. At this stage, AXMIN may elect to participate or transfer its residual interest to Teranga in return for a 1.5% royalty.

In November 2010, Teranga earned a 51% interest in AXMIN's Senegal Permits (Sonkounkou, Heremakono and Sabodala NW) by expending \$2.5 million. At that time, AXMIN elected not to participate in further expenditures funding and expressed its intent to dilute further to 20%. As at June 30, 2011, the status of AXMIN's interest remains the same.

During the period ended June 30, 2011, Teranga conducted successful exploration program, which identified an inferred resource of 106,000 contained ounces of gold (543,000 tonnes at 6.0 g/t Au). As a result, Teranga earned its 80% interest by spending the \$3.5 million in exploration expenditures. As at June 30, 2011, management's intent is to maintain its 20% interest.

*Mozambique*

The Mavita Copper-Nickel-Cobalt Project consists of two prospecting licences covering 354 sq km, located in the Manica province, 60 km southwest of the regional centre of Chimoio, Mozambique. The project is located on the eastern edge of the Zimbabwe Craton.

On October 29, 2010, AXMIN regained control of its Mavita Copper-Nickel-Cobalt Project in Mozambique following the withdrawal of Rio Tinto Minerals Development Limited ("Rio Tinto"), a wholly-owned subsidiary of Rio Tinto Plc (LSE:RIO) from a joint venture over these permits. Under the terms of the agreement announced on June 9, 2010, AXMIN has regained 100 percent control of the Mavita licences. All of the data from exploration work completed by Rio Tinto on behalf of the joint venture agreement was relinquished to AXMIN.

On August 4, 2010, the Company was granted a 5-year extension on its Mavita exploration licences (PL 1045 and PL 1046).

There were no exploration and development costs incurred for the Mavita project during the period ended June 30, 2011.

*Zambia*

The projects in Zambia comprise of six tenements in the southern area of Zambia, one wholly owned tenement prospective for nickel, the Mitaba property, and five tenements prospective for uranium which were subject to a farm-in-agreement with Zambezi Resources Ltd ("Zambezi"). The farm-in-agreement was entered into on April 18, 2008 and AfNat was allotted 51% equity interest in the beneficial holders of rights to explore for and mine uranium deposits on the Zambia Licences. The joint venture was managed by the Company and the funds contributed to the equity participation were used to fund joint venture exploration costs. As described in note 6, on November 2, 2010, AXMIN entered into a sale agreement to dispose of all its interest and exploration licences in Zambia to Zambezi for aggregate sale proceeds of \$65.

In aggregate, the Company incurred the total of \$2,816 in exploration and development costs during the period ended June 30, 2011, (\$1,259 in 2010) and the full amount was expensed and included in the consolidated statements of operations and comprehensive loss.

**5. Property, plant and equipment**

	<b>Equipment</b>	<b>Building</b>	<b>Leasehold improvements</b>	<b>Total</b>
Cost as at January 1, 2010	3,026	102	613	3,741
Additions	-	-	-	-
Disposals	(941)	-	-	(941)
Cost as at December 31, 2010	2,085	102	613	2,800
Additions	-	-	-	-
<b>Cost as at June 30, 2011</b>	<b>2,085</b>	<b>102</b>	<b>613</b>	<b>2,800</b>

The entire balance of property, plant and equipment relates to the Passendro gold project in the CAR. Depreciation on the property, plant and equipment will commence at the start of commercial production of the Passendro gold project in CAR.

## 6. Acquisitions

On June 14, 2010, AXMIN gained control and acquired all of the outstanding securities of AfNat by way of a scheme of arrangement. In consideration for the acquisition, AXMIN issued an aggregate of 206,267,300 common shares and 14,961,345 common share purchase warrants to holders of AfNat securities for a total value of C\$20.6 million measured at fair value of AXMIN's common shares at the time of closing, C\$0.10 per share less share issuance cost of C\$30. The common share purchase warrants were issued to compensate the cancellation of AfNat's options. AXMIN's share purchase warrants and AfNat's options were valued using Black-Scholes Option Pricing Model. The total fair value of the share purchase warrants and options amounted to \$395 and \$138 respectively. The excess fair value of AXMIN's share purchase warrants over the fair value of AfNat's options in the amount of \$256 was included in the total purchase cost of \$20.2 million. As a result of the acquisition, AXMIN recognized goodwill in the amount of \$2.2 million resulting from the excess consideration paid over the fair value of net assets acquired.

AfNat had interests in mineral exploration projects in Mozambique and Zambia and has an investment in Copper Development Corporation ("CDC"). CDC is a private company with a controlling stake in the Hinoba copper project located in the Philippines.

Following the acquisition, all of AfNat's outstanding securities were delisted from AIM of the London Stock Exchange.

The table below outlines the purchase cost and purchase price allocation.

<b>Purchase Cost</b>	
Fair value of shares	19,941
Fair value of warrants	256
<b>Purchase Cost</b>	<b>20,197</b>
Less: cash acquired	(10,361)
	<b>9,836</b>
<b>Summary – Purchase Price Allocation</b>	
Current assets	590
Investments held for trading (note 14)	1,076
Mineral properties exploration costs - Mozambique property (note 4a)	979
Mineral properties exploration costs- Zambia property (note 4b)	2,794
Long-term investments (note 14)	3,050
Goodwill	2,236
<b>Total Assets</b>	<b>10,725</b>
Current liabilities	149
Provisions	740
<b>Total Liabilities</b>	<b>889</b>
<b>Net Assets Acquired</b>	<b>9,836</b>

As of June 30, 2011, the cumulative loss from AfNat's operations from the acquisition date has amounted to \$1,611.

## Goodwill

The following table summarizes changes to the carrying value of goodwill:

	AfNat
Balance, January 1, 2010	-
Acquisition of Afnat, June 14, 2010	2,236
Changes to goodwill during the year	-
<b>Balance, December 31, 2010</b>	<b>2,236</b>
Changes to goodwill during the period	-
<b>Balance, June 30, 2011</b>	<b>2,236</b>

AXMIN's operations are primarily exploration and development and there are no reporting units generating cash, therefore allocation of goodwill to cash generating units is not applicable and the entire amount of goodwill has been allocated to one reporting unit, the Passendro gold project in the CAR. The acquisition of AfNat resulted in many benefits to AXMIN. The former President and CEO of AfNat became the new President and CEO of AXMIN, cash resources increased by \$10.3 million along with the marketable securities available for sale increased liquidity for the Company. The new CEO has extensive experience in

**AXMIN Inc.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months period ended June 30, 2011 and 2010**  
*(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

securing and establishing mineral exploration tenure and operations throughout Africa, namely CAR. Management believes that the Passendro gold project in the CAR is the primary recipient of benefits and synergies obtained from this acquisition. The Company assessed the goodwill for impairment as at December 31, 2010. The recoverable amount for the Passendro Gold Project reporting unit exceeded the carrying amount and as such, no impairment was recognized.

**7. Dispositions**

*Zambia*

On November 2, 2010 AXMIN entered into an agreement to dispose of its interest and its exploration licences in Zambia to Zambezi Resources Ltd., ("Zambezi"), the joint venture partner in the Zambian property. On November 2, 2010, AXMIN transferred all its rights, titles, and interest for an aggregate purchase price of \$65. This disposition resulted in a net loss of US\$2,869.

*Mali*

On March 31, 2010, the Company announced the execution of a definitive agreement pertaining to the sale of its Kofi Gold Project and other ancillary permits in Mali to Avion (AVR-TSX) for proceeds of up to C\$500 cash and up to 4,500,000 common shares of Avion. As described in note 4, the sale of six permits was completed as at June 30, 2011, which represents 70% of the total proceeds. The three remaining permits are expected to close by the end of year 2011. The assets, liabilities and results of operations of Mali have been separately reported as discontinued operations in the consolidated statement of financial position and consolidated statements of operations and comprehensive loss.

The results of discontinued operations for the period ended June 30 were as follows:

	2011	2010
General exploration costs	(146)	(287)
Asset impairment	-	(985)
Current income tax expense	-	(121)
Other expenses	(75)	(15)
Loss from discontinued operations	(221)	(1,408)
Consideration received on disposal	180	-
Loss on disposal of marketable securities	(143)	-
Net (loss) from discontinued operations, net of income taxes	(184)	(1,408)

The following table details the assets and liabilities related to the discontinued operations as at June 30, 2011 and June 30, 2010.

	2011	2010
Cash and cash equivalents	14	20
Exploration and development costs	1,038	3,460
Assets of discontinued operations	1,052	3,480
Accounts payable and accrued liabilities	326	136
Liabilities of discontinued operations	326	136

The original estimate of the sales consideration at the time of the ratification of the agreement resulted in an asset impairment charge of \$985.

The income tax expense provision is based on the current tax treatments and legislation in Mali.

**8. Share capital**

The Company is authorized to issue an unlimited number of common shares with one vote per share and no par value per share.

**AXMIN Inc.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months period ended June 30, 2011 and 2010**  
*(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

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On February 15, 2011, the Company issued an aggregate of 4,388,370 common shares of AXMIN to Eldorado Gold Corporation and Flaxman Corporation NV at a fair market value of C\$0.18 per common share for total amount of C\$800 (\$811) as a consideration for its acquisition of the minority interest in the Nimini Hills East and West licences (Komahun Gold Project), thereby increasing AXMIN's ownership in the Project to 100%.

During the period ended June 30, 2011, the Company issued an aggregate of 302,843 common shares of AXMIN for total fair value of \$36 as a consideration for consulting services paid to an independent geologist. The full amount of \$36 has been capitalized to mineral properties.

As a result of the above transactions, the share capital increased to 628,271,747 common shares as at June 30, 2011.

As of June 30, 2011 the Company's significant shareholder, AOG Holdings BV ("AOG"), a wholly owned subsidiary of the Addax and Oryx Group Limited, held 161,844,752 (2010 - 153,594,752) common shares and 22,550,000 (2010 - 40,866,667) common share purchase warrants, representing approximately 26% (2010 - 30%) of AXMIN's issued and outstanding common shares on a non-dilutive basis.

There were no common share purchase warrants issued or exercised during the period ended June 30, 2011. There were 14,961,345 common share purchase warrants issued during the period ended June 30, 2010 at fair value of \$395. Warrants expired totalled to 4,995,120 and 15,240,150 during the period ended June 30, 2011 and June 30, 2010 respectively.

On November 25, 2010, AXMIN closed a non-brokered private placement offering (the "Offering") of 83,333,333 Units (the "Units") at a price of C\$0.12 per Unit, for a total gross proceeds of C\$10 million. Each Unit consists of one common share, plus 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 C\$0.18 until November 25, 2012. AXMIN shall have the right to call the warrants by giving 30 days notice at any time if the common shares of AXMIN trade at C\$0.23 or higher on a Volume Weighted Adjusted Price ("VWAP") for a period of 15 consecutive trading days. The common shares and warrants were subject to a four month hold period, which expired on March 26, 2011. AXMIN paid a finder's fee for a portion of the Offering taken up by registered brokers that amounted to approximately C\$448 and 3,732,500 non-transferable compensation warrants. The fair value of the common share purchase warrants amounted to C\$3,296 (\$3,264), and the fair value of the non-transferable compensation warrants amounted to C\$220 (\$218).

The fair value of the warrants was determined using the Black Scholes Option pricing model with the following assumptions:

Risk free interest rate	1.73%
Expected life in years	2 years
Expected volatility	104%
Expected dividend yield	0.0%

Pursuant to the agreement dated August 9, 2010, on September 21, 2010 the Company issued 26,000,000 common shares valued at C\$0.085 fair market value and 20,000,000 common share purchase warrants to the Government of CAR as a consideration in exchange for the project free-carried interest on its awarded 25-year Mining Licence for the Passendro project as described in note 4. The total fair value of the shares issued amounted to C\$2.2 million (\$2.1 million) less share issuance cost of C\$13.3 (\$13). The fair value of common share purchase warrants amounted to C\$1,140 (\$1,110). The fair value of the warrants was determined using the Black Scholes Option pricing model with the following assumptions:

Risk free interest rate	2.25%
Expected life in years	5 years
Expected volatility	108%
Expected dividend yield	0.0%

On June 14, 2010, the Company issued an aggregate of 206,267,300 common shares valued at C\$0.10 fair market value and 14,961,345 common share purchase warrants as consideration for acquisition of all of the outstanding securities of AfNat as described in note 5. The total fair value of the shares issued amounted to C\$20.6 million (\$19.9 million) less share issuance cost of C\$30 (\$29). The fair value of the common share purchase warrants amounted to C\$407 (\$395). The fair value of the warrants was determined using the Black Scholes Option pricing model with the following assumptions:

Risk free interest rate	Range: 1.81% - 2.48%
Expected life in years	1 to 4 years
Expected volatility	106%
Expected dividend yield	0.0%



**AXMIN Inc.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months period ended June 30, 2011 and 2010**  
*(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

*Stock Options*

The Incentive Stock Option Plan (the "Plan") authorizes the Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants. All options granted vest over 18 months from the date of grant and expire five years from the date of issuance. The Plan allows for the maximum number of common shares issuable under the Plan to equal 10% of the issued and outstanding common shares of the Company at any point in time, and that options once exercised would be re-endorsed into the pool of un-granted options.

During the period ended June 30, 2011, the Company granted an aggregate of 4,700,000 options, of which 1,200,000 are exercisable at C\$0.14 each and 3,500,000 are exercisable at C\$0.10 each and expiring five years from the date of issue. During the period ended June 30, 2010, the Company granted an aggregate of 23,350,000 stock options exercisable at C\$0.10 each and expiring on June 28, 2015. A total of \$621 in share-based compensation has been expensed for the period ended June 30, 2011.

The Company used the Black Scholes option pricing model to estimate the fair value of the options granted using the following assumptions:

	2011	2010
<b>Assumptions:</b>		
Weighted average risk-free interest rate	2.33%	2.32%
Expected stock price annual volatility	105%	105%
Weighted average expected life (years)	4.3	4.0
Estimated forfeiture rate	1.98%	4.04%
Expected dividend yield	0.0%	0.0%
Weighted average fair value cost per option	0.24	0.26

As at June 30, 2011, 30.7 million (2010 - 22.6 million) options are available for future issuance under the Plan.

As at June 30, 2011, common share stock options held by directors, officers and employees are as follows:

Range of exercise prices -C\$ (dollars)	Outstanding			Exercisable	
	Number of options	Weighted average exercise price - C\$ (dollars)	Weighted average remaining contractual life in years	Number of options	Weighted average exercise price - C\$ (dollars)
0.05 to 0.10	27,350,000	0.10	4.08	18,887,500	0.10
0.11 to 0.30	1,900,000	0.14	3.97	925,000	0.14
0.31 to 0.70	250,000	0.45	1.98	250,000	0.45
0.71 to 1.00	2,550,000	0.84	1.36	2,550,000	0.84
	32,050,000	0.16	3.84	22,612,500	0.19

	Number of options	Weighted Average Exercise Price -C\$ (dollars)
Balance, January 1, 2010	5,505,000	0.65
Options granted	23,500,000	0.10
Options expired/cancelled	(1,380,000)	0.62
Options exercised	-	-
Balance as at December 31, 2010	27,625,000	0.18
Options granted	4,700,000	0.10
Options expired	(275,000)	0.62
Options exercised	-	-
<b>Balance at June 30, 2011</b>	<b>32,050,000</b>	<b>0.16</b>

## 9. Related Parties

- a) During the period ended June 30, 2011 and 2010, the Company incurred:
- i) \$213 (2010 - \$413) in legal services provided by a partnership related to a director of the Company. At June 30, 2011, \$229 (2010 - \$61) was due to this partnership.
  - ii) \$0 (2010 - \$22) in management services from the Addax and Oryx Group Limited, ("AOG"). As of June 30, 2010 the management fee is no longer payable, and the balance owing to AOG was fully paid in July, 2010.
- b) As of December 31, 2010, the Company's significant shareholder, AOG, had provided the Company with three loans for a total amount of C\$1,600, (\$1,609).  
The loans bear interest at 9% per annum. The principal and accrued interest is due on the earliest of the following:
- i) The effective maturity date, which is 24 months from the effective date of the loan.
  - ii) The effective date of any Change of Control.
  - iii) Occurrence of any Event of Default.

The loan balance including accrued interest was fully paid on January 11, 2011 in an aggregate amount of C\$1,740, (\$1,750).

## 10. Commitments and contingencies

The following is a summary of rental lease commitments for various periods due for the next five years and thereafter. The annual rent payments consist of minimum rent plus realty taxes, maintenance and utilities.

	June 30, 2011	December 31, 2010
Less than 1 year	113	136
1 - 3 years	141	191
4 - 5 years	-	-
<b>Total</b>	<b>254</b>	<b>327</b>

In the ordinary course of business activities, the Company is subject to various claims, including those related to income and other taxes of its foreign subsidiaries. Management believes that adequate provisions are recorded in the accounts where required and where estimable. However, there can be no assurance that the Company will not incur additional expenses.

## 11. Accumulated other comprehensive income

As at June 30, 2011, accumulated other comprehensive income was comprised of the unrealized gain on marketable securities available-for-sale of (\$219) and unrealized gain on foreign currency translation of \$857, resulting in net unrealized gain of \$1,076. As at June 30, 2010, accumulated other comprehensive income was \$1,095.

	June 30, 2011	December 31, 2010
<b>Balance, beginning of period</b>	<b>2,774</b>	801
- Changes in fair value on available- for-sale financial assets arising during the period	<b>(645)</b>	2,343
- reclassification adjustments for (gains) recorded in earnings during the period	<b>(1,260)</b>	(874)
- effects of foreign currency translation	<b>207</b>	504
<b>Balance, end of period</b>	<b>1,076</b>	2,774

## 12. Segmented information

The Company operates in one industry segment: mineral exploration and development. During the period ended June 30, 2011, the Company, or its joint venture partners, conducted its exploration activities in CAR, Sierra Leone, Senegal and Mozambique.

## 13. Capital management

The Company manages its cash and cash equivalents, common shares, stock options, and warrants as capital. The policy of the Board of Directors of the Company is to maintain a strong capital base so as to sustain future development of the business and maintain investor, creditor and market confidence. To meet these objectives the Company monitors its financial position on an ongoing basis.

#### 14. Financial instruments and risk management

The recorded amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and amounts due to related parties approximate fair values based on the short-term nature of those instruments. The Company has classified its financial instruments as follows: cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; accounts receivable as loans and receivables; accounts payable and accrued liabilities, and amounts due to related parties as other financial liabilities.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

(i) Cash

The Company minimizes its exposure to credit risk by keeping the majority of its cash as cash on deposit with a major Canadian chartered bank. Management expects the credit risk to be minimal.

(ii) Receivables

Management does not expect these counterparties to fail to meet their obligations. The Company does not have receivables that it considers impaired or otherwise uncollectible.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company's objective is to maintain sufficient liquid resources to meet operational requirements. As of June 30, 2011, the Company had cash and cash equivalents of \$3,504, (2010 - \$7,812). Except for the payable to the Government of CAR, substantially all of the Company's financial liabilities mature within six months.

Investment in Noble Resources

AXMIN retains a 1.5% royalty on any future gross smelter returns from ore mined from the Cape Three Points Licence area at that time.

Investment in Avion Gold Corporation ("Avion")

As indicated in note 6 and note 4, as of June 30, 2011 AXMIN held 787,500 shares of Avion classified as available-for-sale securities. During the period ended June 30, 2011, upon expiry of the four-month hold period, the Company sold 731,250 for a net proceeds of \$1,128 resulting in a net loss on disposal of \$143 included in the total loss from the discontinued operations as described in note 7. On June 30, 2011 the fair value of the shares was C\$1.94 compared to C\$1.97 on December 31, 2010 and to C\$1.68 on March 31, 2011 resulting in an unrealized gain of \$219 reported in other comprehensive income.

Marketable Securities acquired from AfNat

As part of the acquisition of AfNat on June 14, 2010 (refer to note 5 for details), the Company acquired the following investments in marketable securities which have been classified as available-for-sale:

➤ Investment in Niger Uranium Limited

Niger Uranium Limited, ("Niger") is a public uranium exploration and mining company listed on AIM London Exchange. During November, 2010, 13,285,013 ordinary shares of Niger held by the Company were sold for an aggregate net proceeds of GBP 672, (\$1,076) resulting in the realized gain of \$130.

➤ Investment in Kalahari Minerals PLC

Kalahari Minerals PLC, ("Kalahari") is an AIM and NSX listed resource company with uranium, gold, copper and other base metal interests in Namibia. On September 30, 2010, 80,505 ordinary shares of Kalahari held by AXMIN were sold at approximately GBP 1.50 resulting in net proceeds of GBP 120 (\$190). The sale resulted in the realized gain of \$1.

➤ Investment in Copper Development Corporation ("CDC")

CDC was a private company until mid December 2010 when it became a public company. CDC has a stake in the Hinoba copper project located in the Philippines. The Company held 9,571,427 shares of CDC, which were purchased in four tranches for a total value of \$3,050. The shares were sold on January 10, 2011 at 0.30 GBP per share amount to net proceeds of 2,866 GBP (\$4,453), resulting in the realized gain of \$1,403.

The following table shows the composition of available-for-sale securities disposed and the realized gain on disposal for the period ended June 30, 2011. There was no disposal of available-for-sale securities during the period of 2010.

**AXMIN Inc.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months period ended June 30, 2011 and 2010**  
*(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

	Fair Value on Dispositions	Cost	Realized Gain (Loss)
Marketable securities in CDC	4,453	3,050	1,403
Marketable securities in Avion	1,128	1,271	(143)
	<b>5,581</b>	<b>4,321</b>	<b>1,260</b>

The following table shows the composition of the fair value for available- for- sale securities as of June 30, 2011 and 2010.

	2011 # of Shares	2011 Fair Value	2010 # of Shares	2010 Fair Value
Avion Gold Corporation	787,500	1,584	-	-
Noble Resources	-	-	3,000,000	720
Niger Uranium shares	-	-	13,285,013	873
Kalahari Minerals PLC shares	-	-	80,505	176
	<b>787,500</b>	<b>1,584</b>	16,365,518	1,769

(a) Market risk

(i) Foreign currency risk

The functional currency of the Company is the Canadian dollar. The Company's operations expose it to significant fluctuations in foreign exchange rates. The Company's main source of funds are denominated in the Canadian dollar and the Company has monetary assets and liabilities denominated in the Canadian dollar, British Pound and the CFA Franc. A significant change in the currency exchange rates between the US dollar and foreign currencies could have an effect on the Company's net loss.

The Company maintains certain of its cash and cash equivalents in the Canadian dollar and British pound and is thus susceptible to market volatility as cash balances are revalued to the functional currency of the Company. The rate published by the Bank of Canada at the close of June 30, 2011 was 0.96 Canadian dollars to 1 US dollar and 1.56 Canadian dollars to 1 UK pound sterling. Based on the balances at June 30, 2011, income will increase or decrease by \$65 and \$41 given a 5% increase or decrease in the US dollar to Canadian dollar and Canadian dollar to UK pound sterling respectively. Total amount of cash and cash equivalents held in foreign currency at June 30, 2011 is US\$1,349 and 526 in GBP.

(ii) Interest rate risk

The Company has no interest-bearing short-term investments and so it is not subject to interest rate risk fluctuation.

(iii) Market price risk

The Company holds marketable securities available-for-sale; common shares of Avion Gold Corporation listed on TSX Stock Exchange. The fair value of such financial equity instruments is affected by changes in the market price.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**AXMIN Inc.**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months period ended June 30, 2011 and 2010**  
*(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)*

The following table presents the Company's financial assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2011:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial Assets:</b>				
Cash and cash equivalents	3,504	3,504	-	-
Available-for-sale securities	1,584	1,584	-	-
Accounts receivable	3,476	-	3,476	-
	<b>8,564</b>	<b>5,088</b>	<b>3,476</b>	
<b>Financial Liabilities:</b>				
Current liabilities	5,231	860	4,371	-
Long-term liabilities	-	-	-	-
	<b>5,231</b>	<b>860</b>	<b>4,371</b>	

## 15. Subsequent Events

i) On July 20, 2011, The Company announced the signing of a Mandate Letter with The Standard Bank of South Africa Limited ("SBSA"), an international financial institution, in terms of which SBSA is appointed as the Mandated Lead Arranger ("MLA") to arrange and underwrite a US\$100 million Export Credit Insurance Corporation of South Africa Limited ("ECIC") backed term loan facility for the purposes of partially funding the development of the Passendro Gold project in the CAR. SBSA has provided an indicative term sheet where it proposes to arrange and underwrite a US\$100 million term loan and work with other MLA's for the provision of up to US\$230 million of total debt facilities.

ii) On July 15 and July 25, 2011, the Company sold 56,250 and 731,250 of Avion common shares respectively for net proceeds of C\$1,663.

iii) On August 2, 2011, the Company announced that it has entered into an agreement with Polo Resources Limited ("Polo"), whereby Polo will acquire a 51% interest in a wholly owned subsidiary of AXMIN, which owns AXMIN's Sierra Leone assets, with AXMIN retaining a 49% interest for a cash consideration of US\$7.5 million. Closing is subject to a technical and legal due diligence undertaken by Polo, which is to be completed no later than 60 days from the date of the agreement.

iv) On August 3, 2011, the Company terminated the amalgamation agreement with Fuller dated June 9, 2011. The amalgamation agreement was related to the spin-off of the Company's Sierra Leone assets, which include the Komahun Gold Project. Pursuant to the terms of the amalgamation agreement, AXMIN must pay Fuller \$200 within 15 business days from the date of the termination of the amalgamation agreement. The \$200 break-fee was paid on August 19, 2011.

## 16. Transition to IFRS

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, using accounting policies the Company expects to adopt for the year ending December 31, 2011 in accordance with IFRS. The Company previously prepared its financial statements in accordance with Canadian GAAP for periods up to and including December 31, 2010. The accounting policies and the effects of the changeover to IFRS as at January 1, 2010, for the three months period ended March 31, 2010 and for the year ended December 31, 2010 have been disclosed in the interim condensed consolidated financial statements for the three months ended March 31, 2011.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows for the three and six months ended June 30, 2010 is set out below.

### **Reconciliations from Canadian GAAP to IFRS**

In preparing the interim condensed consolidated financial statements, the Company has adjusted amounts reported previously in its consolidated financial statements prepared under Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has impacted the Company's consolidated statement of financial position, consolidated statement of operations and comprehensive loss and consolidated statement of shareholders' equity is included in the following reconciliations and notes.

AXMIN Inc.

Notes to the Interim Consolidated Financial Statements

For the six months period ended June 30, 2011 and 2010

(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)

Reconciliation of Consolidated Statement of Financial Position

	As at June 30, 2010			As at December 31, 2010		
	Canadian GAAP	Adjustments	IFRS	Canadian GAAP	Adjustments	IFRS
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	7,812	-	7,812	9,278	-	9,278
Available-for-sale marketable securities	1,769	-	1,769	6,559	-	6,559
Accounts receivable	139	-	139	138	-	138
Accounts receivable – other	-	-	-	3,060	-	3,060
Prepaid expenses and deposits	100	-	100	223	-	223
	<b>9,820</b>	<b>-</b>	<b>9,820</b>	<b>19,298</b>	<b>-</b>	<b>19,298</b>
Mineral properties (note c)	31,115	(27,342)	3,773	43,898	(27,101)	16,797
Property, plant and equipment	2,937	-	2,937	2,800	-	2,800
Goodwill	2,236	-	2,236	2,236	-	2,236
Assets of discontinued operations	3,480	-	3,480	1,230	-	1,230
Long Term Investment	3,050	-	3,050	-	-	-
Long-term receivable	-	-	-	1,530	-	1,530
Other assets, net	56	-	56	48	-	48
	<b>52,694</b>	<b>(27,342)</b>	<b>25,352</b>	<b>71,040</b>	<b>(27,101)</b>	<b>43,939</b>
<b>Liabilities and shareholders' equity</b>						
<b>Current and Long-term liabilities</b>						
Accounts payable and accrued liabilities	716	-	716	937	-	937
Amounts payable to Govt of the CAR	-	-	-	2,902	-	2,902
Current portion of shareholder loan	-	-	-	548	-	548
Amounts due to related parties	186	-	186	90	-	90
Unrealized fair value of derivative (note d)	-	-	-	-	1,860	1,860
Liabilities of discontinued operations	136	-	136	326	-	326
	1,038	-	1,038	4,803	1,860	6,663
Long-term payable to the CAR Govt	-	-	-	2,627	-	2,627
Shareholder loan – long-term	1,559	-	1,559	1,197	-	1,197
	<b>2,597</b>	<b>-</b>	<b>2,597</b>	<b>8,627</b>	<b>1,860</b>	<b>10,487</b>
<b>Shareholders' equity</b>						
Share capital	124,921	-	124,921	133,038	-	133,038
Warrants reserve (note d)	1,621	-	1,621	5,391	(1,110)	4,281
Stock option reserve (note b)	8,297	(2)	8,295	9,274	393	9,667
Deficit (note b, c and d)	(85,435)	(27,742)	(113,177)	(87,560)	(28,748)	(116,308)
Accumulated other comprehensive income (note a)	693	402	1,095	2,270	504	2,774
	<b>50,097</b>	<b>(27,342)</b>	<b>22,755</b>	<b>62,413</b>	<b>(28,961)</b>	<b>33,452</b>
	<b>52,694</b>	<b>(27,342)</b>	<b>25,352</b>	<b>71,040</b>	<b>(27,101)</b>	<b>43,939</b>

AXMIN Inc.  
Notes to the Interim Consolidated Financial Statements  
For the six months period ended June 30, 2011 and 2010  
(Unaudited and all amounts expressed in thousands of United States dollars, except otherwise stated and per unit basis)

Reconciliation of Consolidated Statement of Loss and Comprehensive Loss

	Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
	Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS
<b>Expenses</b>						
Administration	1,904	-	1,904	2,677	-	2,677
Exploration and development costs (note c)	-	1,085	1,085	-	1,259	1,259
Loss on disposal of assets	315	-	315	315	-	315
share-based compensation (note b)	448	2	450	457	(12)	445
	<b>2,667</b>	<b>1,087</b>	<b>3,754</b>	<b>3,449</b>	<b>1,247</b>	<b>4,696</b>
<b>Other Income</b>						
Loss (gain) on foreign exchange	242	-	242	244	-	244
Interest expense, net	34	-	34	55	-	55
	276	-	276	299	-	299
Loss from continuing operations before income taxes	<b>2,943</b>	<b>1,087</b>	<b>4,030</b>	<b>3,748</b>	<b>1,247</b>	<b>4,995</b>
<b>Net loss from continuing operations</b>	<b>2,943</b>	<b>1,087</b>	<b>4,030</b>	<b>3,748</b>	<b>1,247</b>	<b>4,995</b>
<b>Loss (gain) from discontinued operations, net of income taxes</b>	<b>126</b>	<b>-</b>	<b>126</b>	<b>1,408</b>	<b>-</b>	<b>1,408</b>
<b>Net loss for the period</b>	<b>3,069</b>	<b>1,087</b>	<b>4,156</b>	<b>5,156</b>	<b>1,247</b>	<b>6,403</b>
<b>Other comprehensive income</b>						
Changes in unrealized loss (gain) on available-for-sale financial assets	383	-	383	108	-	108
Effect of foreign currency translation (note a)	-	365	365	-	402	402
<b>Comprehensive loss for the period</b>	<b>3,452</b>	<b>1,452</b>	<b>4,904</b>	<b>5,264</b>	<b>1,649</b>	<b>6,913</b>
<b>Net Loss (gain) per common share basic and diluted)</b>						
Continuing operations	0.008	0.003	0.011	0.011	0.004	0.015
Discontinued operations	0.000	-	0.000	0.004	-	0.004
<b>Basic and diluted loss per common share</b>	<b>0.008</b>	<b>0.003</b>	<b>0.011</b>	<b>0.015</b>	<b>0.004</b>	<b>0.019</b>
<b>Weighted average number of common shares outstanding</b>	<b>346,513,359</b>	<b>-</b>	<b>346,513,359</b>	<b>327,353,076</b>	<b>-</b>	<b>327,353,076</b>

Reconciliation of Consolidated Statement of Cash Flows from Canadian GAAP to IFRS

The transition from Canadian GAAP to IFRS had no significant effect on the reported cash flows generated by the Company. The reconciling items between Canadian GAAP and IFRS presentation have no net effect on the cash flows generated.

**Notes for Reconciliations from Canadian GAAP to IFRS**

**a) IAS 21 – Functional currency**

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and should be measured using the currency of the primary economic environment in which the entity operates.

The Company's functional currency under Canadian GAAP was the U.S. dollar. Under IFRS, the Company has determined that its functional currency is the Canadian dollar. The Company's presentation currency continues to be the U.S. dollar. The effect of this change is primarily related to the translation of the Company's cash, amounts receivable and debts on the consolidated statement of financial position and the resulting foreign exchange gains and losses on the consolidated statement of loss and comprehensive loss. Unrealized gains and losses resulting from the translation to the U.S. dollar presentation currency have been included in other comprehensive income. As a result of this change, an unrealized loss of \$37, an unrealized loss of \$365 and unrealized gain of \$541 has been reported for the three month period ended March 31, 2010, June 30, 2010 and year ended December 31, 2010 respectively.

**b) IFRS 2 – Share-based payments**

The accounting policy under IFRS 2 has not been retrospectively applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that have vested before the transition date, January 1, 2010.

IFRS 2 requires share-based payments to be fair valued at grant date and charged through the Statement of Loss over the vesting period using the accelerated method of vesting. The straight line method of amortization, used by the Company in accordance with Canadian GAAP, is disallowed. The expense of performance options under Canadian GAAP is typically recognized when the performance criteria are met and is often called "cliff vesting" where all of the expense is recognized upon satisfaction of the performance criteria. However, under IFRS the expense associated with performance options must be spread over the expected vesting period of the performance option.

Under IFRS the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures were recognized as they occurred. As a result, the fair value of the grants measured using Black-Scholes model is adjusted by the estimated number of awards that are expected to vest as a result of non-market conditions and is expensed over the vesting period using an accelerated method of amortization.

At the transition date, the impact of IFRS 2 adoption is insignificant, \$10 which has been reflected in the Stock Option Reserve and Accumulated Deficit. In addition, further adjustments of (\$4), \$2 and \$393 were made for the three-month period ended March 31, 2010, June 30, 2010 and year ended December 31, 2010, respectively.

**c) IFRS 6 - Exploration for and evaluation and development of mineral resources**

Under Canadian GAAP, the Company capitalized costs relating to the acquisition, exploration and development of mineral properties on a per project basis until the commencement of commercial productions.

Management has determined that under IFRS the Company's accounting policy for exploration and evaluation assets is that exploration, evaluation and development expenditures should be expensed as incurred and only capitalized to mineral properties after the completion of a technical feasibility study, commercial viability and obtaining of the mining exploitation permit.

On transition to IFRS, \$26,485 of capitalized exploration costs existed as at January 1, 2010 and these costs were capitalized before the updated feasibility study and mining exploitation permit were completed and have been derecognized and expensed in the accumulated deficit. The balance of \$26,659, \$27,342 and \$27,101 of exploration costs were expensed in the three-month period ended March 31, 2010, June 30, 2010 and year ended December 31, 2010 respectively.

**d) IAS 39 – Financial Instruments**

Under IFRS, warrants that are denominated in currency other than functional currency of the Company are classified as derivatives liability and are re-valued at fair value at each reporting period. The change in fair value is recorded in the consolidated statement of operations. For the year ended December 31, 2010, warrants denominated in USD currency in the amount of \$1,110 were reclassified from warrants reserve to derivatives liability and a gain of \$750 was recorded due to increase in fair value. The fair value of the derivatives liability decreased by \$200 and further \$800 for the three months period ended March 31, 2011 and June 30, 2011 respectively.