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5<sup>th</sup> February 2013

Kerrie Papamihail  
Assistant Manager, Listings  
ASX Limited  
GPO Box D187  
Perth WA 6840

Email: [Kerrie.papamihaile@asx.com.au](mailto:Kerrie.papamihaile@asx.com.au)

Dear Madam

**AXG MINING LTD (the "Company")**

We refer to your letter dated 4 February 2013 regarding the Appendix 5B and your request for responses to specific question.

Below, please find our responses, in the prescribed order in which they were asked:

1. As indicated in the Appendix 5B, the Company has estimated that cash outflows for the quarter will be constrained to \$75,000. The Company is of the belief that it will have sufficient capital to fund its activities. In support of funding this cash requirement, the Company, which has capacity under its discretionary share issue program, has:
  - a. Immediately raised \$30,000 working capital via the issue of 15,000,000 fully paid ordinary shares (announced to the ASX platform on 30 January 2013); and
  - b. Issued 40,000,000 as share based payments in pursuit of a mandate re Capital Raising and Corporate Advisory, to an AFSL licensed party (announced to the ASX platform on 30 January 2013), to facilitate future Capital requirements;
2. The Company expects that in the future it will have negative operating cash flows, however it believes that it will have sufficient cash inflows via capital raisings to ensure that it can continue its operations, as displayed in 1 above;
3. The Company believes that it will continue to be supported in its pursuit of its business objectives, as indicated by 1 above;
4. The Company can confirm that it is in compliance with the Listing Rules, and in particular, Listing Rule 3.1 (Continuous Disclosure);
5. The Company is in compliance with Listing rule 12.1 (Sufficiency with regard to operating activity); and
6. The Company is in compliance with Listing rule 12.2 (Sufficiency with regard to financial condition to support operations and other activities).

Yours sincerely,

**Roland Berzins**  
Company Secretary

5 February 2013

Page | 1



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4 February 2013

Roland Berzins  
Company Secretary  
AXG Mining Limited

By email: [rberzins@gbucapital.com.au](mailto:rberzins@gbucapital.com.au)

Dear Roland

**AXG Mining Limited (the "Company")**

I refer to the Company's Quarterly Cash Flow Report in the form of Appendix 5B for the quarter ended 31 December 2012, released to ASX Limited ("ASX") on 31 January 2013, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Payments for administration of \$183,000.
2. Negative operating cash flows for the quarter of \$183,000.
3. Cash at end of quarter of \$2,000.
4. Estimated cash outflows for the current quarter of \$75,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.1.

6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### **Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (08) 9221 2020** or **email [kerrie.papamihail@asx.com.au](mailto:kerrie.papamihail@asx.com.au)**. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5:30pm (WST) on Tuesday 5 February 2013**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries please let me know.

Yours sincerely,

*[sent electronically without signature]*

Kerrie Papamihail  
**Assistant Manager, Listings (Perth)**