



7th February 2014

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

Email: Kerrie.papamihail@asx.com.au

Dear Madam

AXG MINING LTD (the "Company")

We refer to your letter dated 5th February 2014 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 forthcoming quarter will be constrained.
The Company is of the belief that it will have sufficient capital and support to fund its activities. As previously announced and approved by shareholders, the Company has completed negotiations with RM Corporate Finance to act as lead manager, on a best endeavours basis, to place an unsecured Convertible note for up to \$2.5 Million, pursuant to S708 of the Corporations act. The issue of the convertible note and receipt of funding has commenced and the directors believe the program is achievable;
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 outlined in 1 above;
3. The Company is in compliance with Listing rule 12.1 (Sufficiency with regard to operating activity) and is acting in accord with the business activity as approved by shareholders on 4 October 2013;
4. The Company is in compliance with Listing rule 12.2 (Sufficiency with regard to financial condition to support operations and other activities) and the Company believes that it is acting at all times in compliance with the Corporations Act 2001, including:
 - a. Giving a true and fair view of the consolidated entity's financial position as at 31 Dec 2013; and
 - b. Complying with Australian Accountings Standards and Corporations regulations 2001.The Company believes that that it has the support of the major shareholders, major creditors and that the business objective of the Company will be supported by future capital raisings, as per shareholders' approval of 4 October 2013.
5. Refer to Clause 4 above; and

6. The Company can confirm that it is in compliance with the Listing Rules, and in particular, Listing Rule 3.1 (Continuous Disclosure).



Yours sincerely,

A handwritten signature in black ink, appearing to read 'Roland Berzins'.

Roland Berzins

Company Secretary



ASX Compliance Pty Limited
ABN 26 087 780 489
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

GPO Box D187
PERTH WA 6840

Telephone 61 8 9224 0000
Facsimile 61 8 9221 2020
www.asx.com.au

5 February 2014

Mr Roland Berzins
Company Secretary
AXG Mining Limited
Suite 4, 16 Ord Street
WEST PERTH WA 6005

By email: rberzins@gbucapital.com.au

Dear Roland

AXG Mining Limited (the "Company")

I refer to the following:

- 1 The Company's Quarterly Cashflow Report in the form of Appendix 5B for the period ended 31 December 2013, released to ASX Limited ("ASX") on 31 January 2014 (the "Appendix 5B") showing:
 - 1.1 Receipts from product sales and related debtors of \$0.
 - 1.2 Net negative operating cash flows for the quarter of \$403,000.
 - 1.3 Cash at end of quarter of \$3,000.
2. ASX Listing Rule 12.1, which provides that the level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.
3. Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
4. Listing Rule 3.1, which requires a listed 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.

Questions for Response

1. Is it possible to conclude on the basis of the information provided in the Appendix 5B that if the Company were to expend cash as indicated by the Appendix 5B, the Company will have insufficient cash to fund its activities for the next quarter. 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 for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate? If the Company is proposing further capital raising initiatives can you please identify what those initiatives are and what steps the Company is taking to progress those initiatives.
3. Please comment on the Company's compliance with listing rule 12.1 and explain how its operations are sufficient to warrant continued quotation of its securities.
4. Please comment on the Company's compliance with listing rule 12.2, with specific reference to each of the following matters:
 - 4.1 composition of the Company's balance sheet;
 - 4.2 the relative size of the Company's liabilities to assets; and
 - 4.3 the Company's access to funds.
5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives of the Company?
6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

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.

Form of Response

Under listing rule 18.7A, a copy of this query and the Company's response may be released to the market, so the response should be in a suitable form and separately address each of the questions asked.

The Company's response should be sent to me via **email to [kerrie.papamihail@asx.com.au](mailto:kерrie.papamihail@asx.com.au)** or by facsimile to **facsimile number +61 8 9221 2020**. It should not be sent to the Market Announcements Office.

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 **5.30 pm (WST) on Monday, 10 February 2014**.

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]

Kерrie Papamihail
Assistant Manager, Listings Compliance (Perth)