



25 May 2010

ASX RELEASE

**Ms Jenny Cutri**  
**Australian Securities Exchange**

**Dear Jenny**

**AXG Mining Ltd: - Appendix 5B 31 March 2010**

Further to your letter of 20 May 2010, we advise of the following with regard to your specific questions:

Is it possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated in the Appendix 5B, that the Company may not have sufficient cash to fund its activities?;

- 1) The Company believes that it has sufficient liquid assets to fund its activities. The Company continues to hold a portfolio of ASX listed company securities available for sale and would consider redeeming these assets to supplement cash flow requirements. Such an action has been taken in previous months although the Directors consider that the current market conditions may make an immediate sale less than favourable from a market return perspective. The directors will continue to monitor the market conditions and take action when necessary.
- 2) The Company has outstanding interest bearing debtor positions which it may redeem as and when cash flow is required

Does the Company expect in the future it will have similar operating cash flows to that reported?;

- 1) Whilst the Company expects to have negative operating cash flows in the future, due to its status as a mineral explorer, the Company will continue to monitor its cash position and where necessary, take appropriate actions in rationalising expenditure, redeeming previous investments and divesting of non-core property in order to operate effectively and efficiently.

What steps has the Company taken, or proposes to take, to enable it to continue to meet its obligations?;

- 1) The Company will undertake the activities as outlined above.

**AXG Mining Ltd**  
ACN 092 304 964

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West Perth WA 6005

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Can the Company confirm that it is in compliance with the listing rules, and in particular listing rule 3.1?;

- 1) The Company is in compliance with ASX Listing rule 3.1

Please comment on the Company's compliance with Listing rule 12.2;

- 1) Having regard to the comments given above, the Company's financial position is more than sufficient to warrant the continued quotation of its securities and its continual listing.

Should we be able to assist you further, please do not hesitate to contact the undersigned.

Yours Sincerely

Roland Berzins  
Company Secretary

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ACN 092 304 964

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20 May 2010

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

By facsimile: 9486 1011

Dear Roland

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

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 30 March 2010 released to ASX Limited ("ASX") on 30 April 2010, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and debtors of \$0.
2. Net negative operating cash flows for the quarter of \$245,000.
3. Cash at end of quarter of \$69,000.

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 for the quarter 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 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?
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 12.2, 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**. It should not be sent to the Company 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 **9.00 a.m. W.S.T. on Wednesday 26 May 2010**.

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 do not hesitate to contact me on 9224 0003 or Kerrie Papamihail on 9221 0032.

Yours sincerely

*(sent by electronic mail without signature)*

Jenny Cutri  
Assistant Manager, Issuers (Perth)