

12 December 2018

11:2 Renounceable Rights Issue at 1.5c to raise approximately \$23.056 M

HIGHLIGHTS

- **11 for 2 renounceable pro-rata entitlement offer (“Entitlement Offer”) at an issue price 1.5¢ per new share to raise approximately \$23.056 M (before costs).**
- **New funding will materially retire debt**
- **Drilling program at flagship Mixing Zone Project at Crater Mountain in early 2019**
- **Processing plant upgrade at the HGZ mining operation to increase gold production potential**
- **Drilling program at Polymetallic Project, North Qld in early 2019**

Following on the Company’s earlier announcement today regarding its renewed focus on exploration, Crater Gold Mining Limited (ASX:CGN) (“**CGN**” or the “**Company**”) is pleased to announce an eleven (11) for two (2) Entitlement Offer of up 1,537,056,263 fully paid ordinary shares (“**New Shares**”) at an issue price of 1.5¢ per New Share to raise up to \$23.056 M before costs. The Entitlement Offer is subject to shareholders approving the potential increase in shareholding by the Chairman, Mr Sam Chan and an entity he controls, Freefire Technology Limited (“Freefire”).

The Entitlement Offer will see a material major reduction of debt and proceeds will also be utilised to fund the increased focus of the Company on exploration.

A new drilling program will be commenced at the Company’s flagship Mixing Zone Project (**MZ Project**) at Crater Mountain in Papua New Guinea (“**PNG**”). The drilling program will initially consist of eight (8) holes and will focus on extending the existing higher grade gold mineralised zones at the MZ Project

Additionally two (2) deep drill holes will also be drilled at the High Grade Zone Project (HGZ Project) targeting depth extensions at the HGZ Project.

An initial three (3) hole drilling program will also be undertaken at the Company's A2 Polymetallic Project in North Qld early next year.

Planning and drilling approvals are well advanced.

Chairman, Sam Chan said *“I’m very pleased about the decision of the Company to recommence exploration drilling programs. The new drilling program at our flagship Mixing Zone Project is aimed at increasing the already established resources at that deposit. Further drilling aims to identify the continuity of higher grade areas in the Mixing Zone and to test areas lateral to the Mixing Zone. Two deep holes will also be drilled at the HGZ project in search of extensions to depth of the known resource. We are also excited about our A2 Polymetallic Project in North Qld, where we will be drill testing three (3) high priority exploration targets early next year.”* Mr Chan further added *“A successful Entitlement Offer will enable the Company to pursue all the drilling programs as well as providing the working capital to bring the HGZ Mining Project into full production capacity very shortly”.*

ENTITLEMENT OFFER

Eligible Shareholders will be offered eleven (11) New Shares at an Issue Price of 1.5¢ per New Share for every two (2) existing Share held on the Record Date (7:00pm AEST on 23 January 2019). Eligible Shareholders who subscribe for their Entitlements in full will (subject to availability) be able to apply for New Shares in excess of their Entitlement. Up to 1,537,056,623, New Shares will be offered under the Entitlement Offer to raise up to approximately \$23.056 M before costs.

The issue price of 1.5¢ per New Share represents a discount of approximately 25% to the last closing price of CGN Shares on 11 December 2018 (being the last trading day prior to the Company entering into a trading halt ahead of this announcement) of 2.0¢ and approximately 28.57% to the 30-day volume weighted average price up to and including that day.

Shareholders with a registered address in Australia, New Zealand, Papua New Guinea or Hong Kong will be eligible to participate. Shareholders outside of these jurisdictions will not be permitted to participate, however, the Company has appointed Millinium Capital Managers Limited (AFSL 284336) (ACN 111 283 357) to deal with the rights of these shareholders and remit the proceeds (if any) to them.

A shortfall Offer will be made as part of the Entitlement Offer and the Board reserves the right to place any shortfall at 1.5 cents in the 3 month period following the Entitlement Offer closing.

FREEFIRE COMMITMENT

The Company's existing major shareholder and Chairman, Sam Chan, personally and through his vehicle Freefire Technology Limited ("**Freefire**"), has provided a commitment to subscribe for a total of 883,574,610 New Shares under the Entitlement Offer which will raise \$13,253,619. These funds will be used to repay that amount of debt due to Freefire.

No funds subscribed by other shareholders or investors through the shortfall Offer will be used to reduce debt. Funds subscribed by parties non-related to Mr Chan and Freefire will be used primarily for exploration and general working capital.

The previous proposal to convert \$12,000,000 of debt due to Freefire into 1,000,000 Redeemable Convertible Preference Shares will not now proceed. That proposal encountered regulatory difficulties that could not be resolved with Freefire.

Following the Offer, the remaining debt of approximately \$2.75m due to Freefire will be rolled into a new 3 year loan facility. The facility will be unsecured and attract an 8% per annum dividend. As a result the debt will not be repayable on demand but 3 years after the close of the Offer.

SHAREHOLDERS MEETING

Given the potential increase in the percentage shareholdings of Freefire and Mr Chan if the Offer is not fully subscribed, from 57.48% to 89.78%, the Company will seek shareholder approval for that increase pursuant to Item 7 of Section 611 of the Corporations Act. A notice of meeting will be issued shortly. If approval is not obtained the offer will be withdrawn. The Company will then need to consider its options.

The Company proposes to use the expected combined proceeds from the Entitlement Offer.

	Approximate amounts*
Freefire Debt Reduction	\$13,254,000
ICBC Debt Reduction	\$800,000
Net Trade and other payables	\$1,100,000
Drilling and HGZ mine project development at Crater Mountain Project in PNG	\$2,000,000
Drilling of Croydon Polymetallic Project	\$750,000
Payment of the expenses of the Entitlement Offer	\$104,000
Working capital and general corporate purposes	\$1,200,000
Funding reserved for further exploration and working capital	\$3,848,000
Total:	\$ 23,056,000

(*rounded to nearest \$1,000)

INDICATIVE TIMETABLE OF KEY EVENTS

The Company is finalising a prospectus for the Entitlement Offer which it is intending to lodge with ASIC and ASX following shareholder approval on or about 17 January 2019. Indicatively it is anticipated that the timetable for the Entitlement Offer and the shareholder meeting will be as follows:

Event	Date
Notice of Meeting to Shareholders	17 December 2018
General Meeting	17 January 2019
Lodge Prospectus with ASIC/ASX	18 January 2019
Ex. Date	22 January 2019
Rights trading commences	22 January 2019
Record Date	23 January 2019 (7pm WST)
Dispatch Prospectus to entitled shareholders	24 January 2019
Rights trading ends	31 January 2019
Closing date	7 February 2019
Notify Shortfall to ASX	12 February 2019
Settlement of Shortfall	14 February 2019
Issue Date of New Shares	14 February 2019

**These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice, subject to the Listing Rules.*

The Appendix 3B applying for quotation of Shares offered under the Entitlement Offer and the Notice of Meeting for the general meeting are to follow.

For further information contact:
Russ Parker
Email: info@cratergold.com.au

COMPETENT PERSONS STATEMENT

The information contained in this report relating to exploration activities at both Crater Mountain and Croydon is based on and fairly represents information and supporting documentation prepared by Mr Ken Chapple or by appropriately qualified company and consultant personnel and reviewed by Mr Chapple, who is an Associate Member of The Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists. Mr Chapple has sufficient experience relevant to the style of mineralisation and type of deposit involved to qualify as a Competent Person as defined in the 2012 JORC Code. Mr Chapple is an independent principal geological consultant with KCICD Pty Ltd and consents to the inclusion in this report of matters based on his information in the form and context in which it appears.

Forward Looking Statements: This Announcement contains certain forward looking statements. The words 'anticipate', 'believe', 'expect', "optimism", 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'encouraging', 'significant' and other similar expressions are intended to identify forward looking statements. Forward-looking statements are subject to risk factors associated with the Company's business, many of which are beyond the control of the Company. It is believed that the expectations reflected in these statements are reasonable at the time made but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You should therefore not place undue reliance on forward-looking statements.