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**WARNING/IMPORTANT**

***The contents of this document and the terms of the Rights Issue have not been reviewed by any regulatory authority in Australia, New Zealand or Hong Kong. You are advised to exercise caution in relation to the Rights Issue. If you are in any doubt about any of the contents of this document and other Rights Issue documents you should seek independent professional advice.***

21 July 2014

Australian Securities Exchange

**Underwritten Non-Renounceable 1 Convertible Note for 1,000 Shares Rights Issue**

Crater Gold Mining Limited (**CGN** or **the Company**) will undertake a non-renounceable pro rata rights issue of one (1) convertible note for every one thousand (1,000) shares held at A\$25.00 per convertible note to raise up to \$3,454,750 before costs (**Rights Issue**). Funds raised from the Rights Issue will be used:

1. to progress the development of the Company's Crater Mountain, PNG Project's High Grade Zone with the objective of commencing production by the 4<sup>th</sup> quarter of 2014;
2. to repay approximately \$1,537,500 of debt;
3. to cover the costs of the Rights Issue; and
4. for working capital generally.

As detailed further below, and subject to the comments below concerning the intentions of major shareholder Freefire Technology Ltd, to the extent that there is any shortfall all eligible shareholders may also apply for convertible notes in addition to their pro rata entitlements under the Rights Issue.

CGN has secured either commitments to subscribe under the Rights Issue, or an underwriting commitment, in respect of the full amount to be offered under the Rights Issue as follows:

- CGN's major shareholder, Freefire Technology Ltd (**Freefire**), which presently holds 60.42% of CGN's issued share capital, has agreed to take up its full pro rata entitlement under the Rights Issue. Freefire has advised CGN however that it will not be applying for convertible notes in addition to its pro rata entitlement under the Rights Issue.
- Freefire has also agreed to underwrite half of the Rights Issue shortfall at the issue price of \$25.00 per convertible note.
- Another of the Company's shareholders, Bloom Star Investment Limited (**Bloom Star**), which currently holds 1.30% of CGN's issued share capital, has agreed to underwrite the other half of the Rights Issue shortfall at the issue price of \$25.00 per convertible note.

Freefire's and Bloom Star's respective underwriting commitments are subject to the terms and conditions of separate Underwriting Deeds dated 18 July 2014 entered into by each of them with the Company. The terms of those Underwriting Deeds are typical for such agreements including typical conditions precedent and termination events.

Each of Freefire and Bloom Star is entitled to receive an underwriting fee under the relevant Underwriting Deed which totals 5% of the amount underwritten by it.

The Rights Issue offer is being made to Shareholders pursuant to the terms of a prospectus which has been lodged with the Australian Securities & Investments Commission ("ASIC") today.

As the Rights Issue offer involves the offer of debentures (convertible notes in this case) to eligible shareholders the Company is required under the *Corporations Act 2001* (Cth) (**Corporations Act**) to appoint a trustee for the convertible noteholders. The Company has appointed Australian Equity Trustees Limited as trustee for the convertible noteholders pursuant to the terms of a Convertible Note Trust Deed.

The convertible notes to be issued under the Rights Issue will be unsecured and will each be convertible to fully paid ordinary shares in the capital of the Company at the rate of one hundred (100) shares per convertible note at a conversion price of \$25.00 per convertible note. The maturity date of the convertible notes will be three years from the date of their issue and interest will be payable on the convertible notes at the rate of 10% per annum paid six monthly in arrears until and including the maturity date. Accrued interest will also be paid in the event of an early redemption. The Company may, on giving ten days' written notice to noteholders, redeem all notes on issue upon paying to noteholders the outstanding principal, a 25% premium on the outstanding principal, and any outstanding accrued interest. The convertible notes may be converted into shares by noteholders on the last day of each quarter and at maturity. Other terms and conditions of the convertible notes are as described in the prospectus for the Rights Issue.

The Company's current strategy in relation to the Crater Mountain Project, as previously stated, is to develop the Project's High Grade Zone (**HGZ**) as an area where small scale mining of gold can be undertaken, and to use the cash flow generated to undertake ongoing exploration on the larger Crater Mountain potential which lies in developing the existing initial inferred JORC resource at the Mixing Zone, drilling the Porphyry copper-gold potential, and following up on targets highlighted by the airborne geophysical survey undertaken by the Company. (Note that the Company's initial inferred JORC resource estimate for the Crater Mountain Mixing Zone was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.)

The Company's management believes that the Crater Mountain project is a major project with world class potential, although the potential for the Crater Mountain Project is significantly greater than the Company's current financial resources allow. The Company is developing the HGZ project with the view of commencing gold production in the 4<sup>th</sup> quarter of this year. The cash flow generated from production at the HGZ is planned to finance development at Crater Mountain.

Details of the Company's development of the HGZ and high grade gold drilling results have recently been provided to the ASX. Through the Rights Issue the Company is seeking the funding to continue with development of the Crater Mountain Project through to production at the HGZ.

Shareholders eligible to participate in the Rights Issue will be those shareholders with a registered address in Australia, New Zealand or Hong Kong as at 7.00 pm AEST on the record date of 25 July 2014. The Company has determined that it would be unreasonable to extend the offer to participate in the Rights Issue to shareholders in other jurisdictions having regard to the number of holders in those jurisdictions, the number and value of shares those holders would be offered under the Rights Issue, and the costs of complying with the legal requirements and requirements of regulatory authorities in those jurisdictions.

As noted above, eligible shareholders may apply for convertible notes in addition to their pro rata entitlements under the Rights Issue to the extent that there is any shortfall. Any such additional convertible notes will be allocated at the discretion of the Company. Additionally, the Company intends to scale back applications on a pro rata basis in the event of excess demand for such additional convertible notes.

The timetable for the Rights Issue is as follows:

1. Announcement of Rights Issue to ASX 2. Lodge Prospectus with ASIC & ASX 3. Lodge Appendix 3B with ASX 4. Advise option holders and lodge letter to option holders with ASX	Monday 21 July
Notice to Shareholders containing information in Appendix 3B	Tuesday 22 July
<b>Shares trade "Ex" the entitlements issue on the ASX</b>	Wednesday 23 July
Record Date to identify Eligible Shareholders and to determine Entitlements under the offer	Friday 25 July
1. Despatch of Prospectus and Entitlement and Acceptance Form ("Opening Date") 2. Advise ASX that despatch completed	Wednesday 30 July
<b>Closing Date</b>	Monday 11 August
Securities quoted on a deferred settlement basis	Tuesday 12 August
ASX notified of under-subscriptions	Thursday 14 August
1. Issue date 2. Deferred settlement trading ends 3. Last day to confirm to ASX all info required by Appendix 3B	Monday 18 August
Expected commencement of trading of new shares on ASX	Tuesday 19 August

The timetable is indicative only and subject to change. Subject to the Corporations Act and the ASX Listing Rules, CGN, in conjunction with the underwriters, reserves the right to vary

the dates in connection with the Rights Issue, including the closing date, without prior notice. The Company, in conjunction with the underwriters, also reserves the right not to proceed with all or part of the Rights Issue at any time prior to the date of issue of the convertible notes proposed to be issued under the Rights Issue (in which event application monies will be refunded without interest).

A handwritten signature in black ink, appearing to be 'G. Starr', written in a cursive style.

Greg Starr  
Managing Director