

2 August 2017

## NEW BEGINNINGS

Dear Shareholder,

On 24 July 2017, Crater Gold Mining Limited (“**CGN**” or the “**Company**”) announced an Entitlement Offer and a series of transformational actions including a new strategy and reconstruction of the board and management including recognised mining industry leaders to execute that strategy (note: I have attached the announcement to this letter).

As part of the Company’s transformation, it is proposed that I join as Chairman on completion of the Entitlement Offer. I believe in open and direct disclosure with Shareholders so wanted to take this opportunity to introduce myself to you.

Our new strategy in a ‘nutshell’ is to focus on the Company’s flagship Crater Mountain Gold Project in PNG and aggressively re-invigorate the physical exploration activity there. Crater Mountain has already established more than 800,000 ounces of gold in Inferred Resources from approximately 14,500 cumulative linear metres of drilling, with the vast majority of that drilling done in 2010-2013.<sup>1</sup> The existing gold Resources are open at depth and in various directions laterally plus prior drilling evidenced the presence of a copper-gold porphyry system as well.

We aim to resume drilling with two drill rigs on site and quickly ramp up to a drilling rate in excess of 10,000 cumulative linear metres per year.. Our goal is a transformational increase in gold resources.

Subject to further metallurgical testing and detailed mine planning, mine development will likely be completed at the Nevera Gold Mine (located at the High Grade Zone at Crater Mountain) for sustainable commercial gold production to partly self-fund exploration activities.

The Entitlement Offer is planned to raise up to \$15 million and has received commitments and underwriting to a minimum subscription level of \$13 million. It will also be combined with a cash sale of the Company’s non-core Croydon Project in Queensland for \$1.2 million so total proceeds are expected in the range of \$14.2 million to \$16.2 million. These proceeds

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<sup>1</sup> Refer ASX announcements dated: 14 November 2016 Maiden JORC Gold Resource at HGZ Project; and 21 December 2011 Initial Resource Estimate (This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012). The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement, and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

will be applied to eliminate all material debt and leave CGN with \$4.3 million to \$5.1 million in cash to pursue the new strategy.

Under the Entitlement Offer you will be offered eleven (11) New Shares at an Issue Price of 1.0¢ per New Share for every two (2) existing Shares held on the Record Date of 7.00pm EST on 31 July 2017. You will also be able to apply for additional New Shares in excess of your Entitlement.

I have personally sub-underwritten \$530,000 of any Entitlements that are not taken up by shareholders and intend to become a shareholder of consequence in this transformation.

Given that the new team and new strategy could be a new 'inflection point' for CGN, I believe the Entitlement Offer could be an opportunity for Shareholders to reset their cost base. If you do apply for New Shares in excess of your Entitlement and such application is accepted in all or part, it would result in a greater impact on your cost base. The table below shows how your approximate average cost per share could change under various Entitlement Offer issuance scenarios and depending on approximate original cost for your existing shares.

Original cost per share	Approximate revised average cost per share under various example Entitlement Offer actions you could take**			
	Take up half of Entitlement	Take up all of Entitlement	Take up 1.5 times Entitlement by applying for extra	Take up twice Entitlement by applying for extra
20¢	6.1¢	3.9¢	3.1¢	2.6¢
15¢	4.7¢	3.2¢	2.5¢	2.2¢
10¢	3.4¢	2.4¢	2.0¢	1.8¢
8¢	2.9¢	2.1¢	1.8¢	1.6¢
6¢	2.3¢	1.8¢	1.5¢	1.4¢
4¢	1.8¢	1.5¢	1.3¢	1.3¢
2¢	1.3¢	1.2¢	1.1¢	1.1¢

\* Note: Assumes extra New Shares over and above Entitlement are allocated, whereas they may be subject to scale-back depending on the overall level of applications for shares.

\*\* The information in the table above and this letter generally is not tax, financial product, investment advice or a recommendation to acquire Shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision shareholders should consider the appropriateness of the information having regard to their own objectives, financial situation and needs, and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products. Cooling off rights do not apply to the acquisition of Shares. The Company assumes that shareholders are capable of making their own independent assessment of the information and any potential investment and will conduct its own investigation.

I encourage you to review the Prospectus for the Entitlement Offer, which will be sent out on 3 August, and to take action once you receive it.

I am excited for CGN going forward and together with my team, am determined to create exploration momentum that will create value for shareholders. I look forward to continuing an open and regular dialogue with you.

Yours sincerely,



**Alex Molyneux**

Proposed Chairman (subject to completion of the Entitlement Offer)

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