

25 March 2015

Australian Securities Exchange

Rights Issue – Letter to Shareholders

Please find attached a copy of the letter which has been sent to the Company's shareholders today advising details of the Company's rights issue.



John Lemon
Company Secretary

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, Hong Kong or Papua New Guinea. 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.

25 March 2015

Dear Shareholder

Underwritten Non-Renounceable 1 for 4 Rights Issue

On 24 March 2015 the Company notified the Australian Securities Exchange (**ASX**) that it will undertake a one (1) for four (4) non-renounceable pro rata rights issue to raise up to \$3,069,794.70 through the issue of up to 34,108,830 fully paid ordinary shares at \$0.09 (9 cents) per share (**Rights Issue**). Eligible shareholders will be offered the opportunity to purchase one (1) share for every four (4) shares held by them as at 7.00pm AEDST on the record date of 30 March 2015. The shares issued will rank equally in all respects with the existing shares on issue in the Company. All fractional entitlements to shares will be rounded up to the nearest whole number.

Funds raised from the Rights Issue will be used to repay loans of \$1.23 million which were taken out to finance ongoing expenditure at the Company's High Grade Zone mining project in PNG, for general working capital purposes, and to cover the costs of the rights issue.

Only those shareholders with registered addresses in Australia, New Zealand, Papua New Guinea and Hong Kong ("**Eligible Shareholders**") will be eligible to participate in the Rights Issue. The Company's directors have determined that it would be unreasonable to make offers to shareholders in other countries given the number and value of shares that would be offered and the cost of complying with legal and regulatory requirements in other countries. If you are not eligible to participate in the Rights Issue you have been sent this letter for information purposes only.

Shareholders in Papua New Guinea will be able to deposit the Australian dollar equivalent in Kina for shares under the Rights Issue in an account in Papua New Guinea.

Eligible Shareholders may apply for shares in addition to their pro rata entitlement under the Rights Issue to the extent that there is any shortfall. Any such additional shares will be allocated at the discretion of the Company, provided that if any shareholder who takes up shares in addition to their pro rata entitlement would as a result hold greater than 19.9% of the shares in the Company following completion of the Rights Issue the number of additional shares they would be issued will be scaled back so that they do not hold greater than 19.9%. Additionally, the Company intends to scale back applications on a pro rata basis in the event of excess demand for such additional shares.

The Rights Issue will be conducted pursuant to section 708AA of the Corporations Act 2001 (Cth) ("**the Act**"). Consequently the Rights Issue will be made without disclosure to Shareholders pursuant to Part 6D.2 of the Act, i.e. without a prospectus. A personalised Entitlement and Acceptance Form will be mailed to you. Your share entitlement will be shown on the Entitlement and Acceptance Form.

The Company currently has on issue:

1. 136,435,320 shares, all of which are quoted on ASX;
2. 138, 190 convertible notes, all of which are quoted on ASX; and
3. 7,340,500 options, none of which are quoted on ASX.

If all 34,108,830 shares are issued under the Rights Issue the Company will have on issue 170, 544,150 shares. Application has been made to the ASX for quotation of all shares to be issued under the Rights Issue. If some or all of the options and/or convertible notes are exercised prior to the record date for the Rights Issue it will impact the maximum number of New Shares that may be issued under the Rights Issue. However, the Company does not anticipate that any options and/or convertible notes will be exercised as the exercise price/conversion price of each is above the offer price under the Rights Issue.

The Rights Issue is fully underwritten by Freefire Technology Limited (**Freefire**) on the terms of the Underwriting Deed between the Company and Freefire dated 23 March 2015. The underwriting fee payable by the Company to Freefire is 5% of the amount underwritten. As the underwritten amount is \$3,069,794.70 the total underwriting fee is \$153,489.74. To clarify, any shortfall will be allocated to Freefire as the underwriter only after applications by shareholders for shares in addition to their entitlements (refer above) have been dealt with.

No brokers have been appointed for the Rights Issue therefore no handling or other fees will be payable to brokers.

The proposed timetable for the Rights Issue is as follows*:

Notice to Shareholders containing information in Appendix 3B	Wednesday 25 March
Shares trade "Ex" the entitlements issue on the ASX	Thursday 26 March
Record Date to identify Eligible Shareholders and to determine Entitlements under the offer	Monday 30 March
1. Despatch of Offer and Entitlement and Acceptance Form ("Opening Date") 2. Advise ASX that despatch completed	Thursday 2 April
Closing Date	Thursday 23 April
Securities quoted on a deferred settlement basis	Friday 24 April
ASX notified of under-subscriptions	Tuesday 28 April
Issue of new shares	Thursday 30 April
Expected commencement of trading of new shares on ASX	Friday 1 May

*The timetable is indicative only and subject to change. Subject to the Act and the ASX Listing Rules, the Company, in conjunction with the underwriter, 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 underwriter, 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 shares to be issued under the Rights Issue (in which event application monies will be refunded without interest).

If you have any questions regarding the rights issue or the Entitlement and Acceptance Form which will be sent to you please contact the Company Secretary, John Lemon (Tel: (07) 3367 1666).

Yours faithfully
CRATER GOLD MINING LIMITED

A handwritten signature in black ink, appearing to be 'G. Starr', written over a faint, illegible stamp or watermark.

Greg Starr
Managing Director