

13 October 2015

Australian Securities Exchange

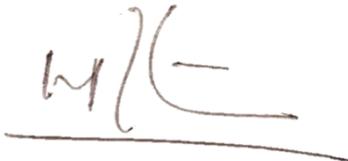
**Notice of Meeting, Explanatory Statement and Proxy Form**

Further to previous announcements by the Company, a meeting of the Company's shareholders will be held on 13 November 2015. The purpose of the meeting is to consider ratification of the Company's recent share placement and to consider the proposed issue of shares to interests associated with the Chairman, Mr Chan.

Please find attached the following documents which have been sent to the Company's shareholders:

1. Notice of General Meeting (including Explanatory Memorandum); and
2. Proxy Form.

Yours sincerely  
**CRATER GOLD MINING LIMITED**



**Heath Roberts**  
Company Secretary

**NOTICE OF GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**PROXY FORM**

**Date of Meeting**

**13 November 2015**

**Time of Meeting**

**11.00 a.m. (AEST)**

**Place of Meeting**

Level 4, 15-17 Young St  
Sydney, NSW, 2000  
Australia

## NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a General Meeting of the members of Crater Gold Mining Limited (“the Company”) will be held at the offices of Crater Gold Mining Limited at Level 4, 15-17 Young St Sydney on 13 November 2015 commencing at 11.00 a.m. (AEST).

### **BUSINESS:**

#### **Resolution 1: Ratification of Share Placement – Capital Raising**

To consider and, if thought appropriate, pass the following resolution as an **ordinary resolution**:

“That the issue of a total of 16,250,000 fully paid ordinary shares in the capital of the Company to Excluded Offerees at \$0.08 per share is hereby ratified for the purposes of ASX Listing Rule 7.4 and for all other purposes”.

#### **Voting Exclusion Statement:**

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 1 by any person who participated in the issue of the Shares, and any associate of such a person.*

*However, in accordance with the Listing Rules, the Company need not disregard a vote if:*

- *it is cast by a person as a proxy for a Shareholder who is entitled to vote, in accordance with the directions on the proxy form; or*
- *if it is cast by the Chairman of the Meeting as proxy for a Shareholder who is entitled to vote, in accordance with the directions on the proxy form.*

#### **Resolution 2: Approval to Issue Shares – Capital Raising**

To consider and, if thought appropriate, pass the following resolution as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 10.11, Section 611(7) of the Corporations Act and for all other purposes the Company is authorized to issue to Freefire Technology Limited, a company associated with Director Samuel Wing Sun Chan, 26,250,000 fully paid ordinary shares at A\$0.08 per share which will result in Freefire technology Limited acquiring relevant interest those Shares in within one month of the date of the passing of this resolution.

#### **Voting Exclusion Statement:**

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 2 by any person who is to receive securities in relation to the entity, and any associate of such a person.*

*However, in accordance with the Listing Rules, the Company need not disregard a vote if:*

- *it is cast by a person as a proxy for a Shareholder who is entitled to vote, in accordance with the directions on the proxy form; or*

- *if it is cast by the Chairman of the Meeting as proxy for a Shareholder who is entitled to vote, in accordance with the directions on the proxy form.*

### **OTHER BUSINESS**

To transact any other business brought forward in accordance with the Company's Constitution.

Further information in relation to these resolutions is set out in the Explanatory Memorandum below.

### **PROXIES**

To be effective, the proxy form and the power of attorney or other authority (if any) under which each is signed (or a copy of that power or authority certified in a manner acceptable to the Directors of the Company) must be received at least 48 hours prior to the meeting (i.e. not later than 11.00 a.m. AEST on 11 November 2015), or to any adjourned meeting, at the Company's Share Registrar. Further details are provided on the proxy form.

A member entitled to attend and vote is entitled to appoint not more than two persons as his/her proxy to attend and vote instead of the member. A proxy need not be a member of the Company. If more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. Unless under Power of Attorney (which should have been noted by the Company) a proxy form by a corporation should be executed under its common seal or in accordance with the Corporations Act.

Dated at Sydney this 13th day of October 2015

### **BY ORDER OF THE BOARD**

**Heath Roberts**

Company Secretary

## EXPLANATORY MEMORANDUM

### INTRODUCTION

This Explanatory Memorandum forms part of the notice convening the Company's General Meeting to be held on 13 November 2015. This Explanatory Memorandum is to assist Shareholders in understanding the background to and implications of the resolutions proposed, and procedural matters concerning the Meeting. Terms used in this Explanatory Memorandum are defined in Section 7.

#### 1. AGENDA ITEM 1 – RATIFICATION OF ISSUE OF SHARES TO EXCLUDED OFFEREES

- 1.1. Subject to a number of exceptions, ASX Listing Rule 7.1 provides that a company must not issue equity securities (shares, options, etc.) without shareholder approval if the number of securities issued would, of itself or when added to the number of other equity securities issued by the company in the previous 12 months, exceed 15% of the number of ordinary shares of the company on issue at the commencement of the 12 month period. ASX Listing Rule 7.4.2 provides that shareholders may approve an issue of securities after the fact (provided the issue did not breach the 15% limit) so that the securities which were issued are regarded as having been issued with shareholder approval for the purpose of listing rule 7.1.
- 1.2. The Company has announced the issue of a total of 16,250,000 fully paid Shares at \$0.08 per Share to Excluded Offerees. The issue of the Shares to the Excluded Offerees has enabled the Company to reduce trade creditors, continue mining operations and increase working capital.
- 1.3. The issue of the 16,250,000 Shares to the Excluded Offerees is within the 15% limit permitted by ASX Listing Rule 7.1, nevertheless the Company is requesting that Shareholders ratify the issue of the shares for the purpose of ASX Listing Rule 7.4.2 so that the Company will have the flexibility to issue further securities under ASX Listing Rule 7.1 as the need or opportunity arises.
- 1.4. As required by ASX Listing Rule 7.5 the following information is provided:
  - (i) 16,250,000 shares will be issued to the Excluded Offerees;
  - (ii) The shares will issued for cash consideration of A\$0.08 each.
  - (iii) The shares are fully paid ordinary shares and are subject to the same rights and obligations and rank equally with all other shares in the capital of the Company.
  - (iv) The shares will be issued to Excluded Offerees, being professional and sophisticated investors, who were introduced to the Company by corporate advisers in the Asia Pacific region.
  - (v) A\$1.3 million will be raised from the issue of the shares. The funds will be utilised to reduce trade creditors, continue mining operations at Crater Mountain and for working capital.

- (vi) The issue of the shares is occurring progressively as the funds are received from the Excluded Offerees.

1.5. The Company's directors recommend that Shareholders vote in favour of Resolution 1.

**2. AGENDA ITEM 2– APPROVAL TO ISSUE SHARES - FREEFIRE TECHNOLOGY LIMITED.**

2.1. Resolution 2 seeks Shareholder approval for the issue of 26,250,000 fully paid Shares to the Freefire Technology Limited.

2.2. The proposed issue of Shares to Freefire Technology Limited was announced on 24 September 2015 together with the issue of Shares to the Excluded Offerees, which issue was the subject of Resolution 1. As indicated in the announcement of 24 September 2015, the funds raised from the issue of the Shares to the Excluded Offerees and Freefire Shares to Freefire Technology Limited would be used to maintain a strong balance sheet and continue to fund the ongoing operations at the High Grade Zone to accelerate production output. The Company had at the time of the announcement a requirement for additional cash resources of approximately A\$3.4 million, Of that amount, the \$2.1 million to be raised from Freefire will be substantially funded by the discharge of outstanding debts to Freefire in order to improve the Company's balance sheet.

2.3. The Company had considered a rights issue to members to raise A\$3.4 million in funds. Freefire was willing to underwrite the rights issue up to A\$2 million provided that the Company could obtain underwriting for the balance. As a result of discussions with potential underwriters, most were reluctant to undertake underwriting under the market conditions prevailing. Instead a proposal was submitted to the Company that provided the Company could secure Freefire's agreement to continue supporting the Company by taking a placement of A\$2.1 million through a 2<sup>nd</sup> tranche, a placement to Excluded Offerees for A\$1.3 million could be arranged.

2.4. Freefire have been supporting the Company financially since 2011. Were it not for that, the Company would have found it difficult to survive. Freefire have indicated that it intends to continue to support the Company and its current operations and has no intentions to change business operations of the Company or make changes to employment arrangements of the employees or otherwise deal with or redeploy Company assets. Freefire may, if required, in the future acquire additional shares in the Company in line with its ongoing support for the Company but will generally look to maintain its level of equity interest and continual commitment to the Company.

2.5. Market activity for The Company had been, and continues to be, exceedingly thin which reflects the absence of investor appetite for resource stocks across classes. The value placed on the Company by secondary trade can be considered at best nominal. The opportunity to bring specialist investors onto the register was an opportunity that should not be missed. The Crater stock had been trading at the level of 7c to 9c for long periods. The pricing of 8c for the A\$1.3 million reflected the level at which the Crater management was able to close the placement reflecting the then prevailing market conditions. This

pricing of 8c for Freefire, in the form of a 2<sup>nd</sup> tranche, in fact reflects the intended fulfilment of the condition and understanding established when the placement of A\$1.3 million was first discussed.

- 2.6. The terms of the issue of the Freefire Shares are the same terms as agreed with the Excluded Offerees only the issue to Freefire requires shareholder approval. A report by KS Black Financial Advisory Pty Ltd which analyses the advantages and disadvantages of the proposed issue of the Freefire Shares accompanies this Explanatory Memorandum.
- 2.7. Prior to the issue of the Shares to the Excluded Offerees, Freefire held and had a relevant interest in 62% of the Shares in the Company. As a result of the issue of Shares to the Excluded Offerees, Freefire Technology Limited's holding and relevant interest in voting shares in the Company reduced to 57%. The proposed issue of Shares to Freefire Technology Limited will result in Freefire again holding and having a relevant interest in 62% of the Shares in the Company. If the issue of the Shares to the Excluded Offerees and the issue of the Freefire Shares had occurred at the same time there would have been no change in the percentage of Shares in the Company held by Freefire Technology Limited or in its relevant interest in voting shares in the Company.
- 2.8. ASX Listing Rule 10.11 provides that, subject to certain exceptions, an ASX-listed company must not issue equity securities (shares, options, etc.) to a "related party" of the Company without the approval of the company's shareholders. Freefire Technology Limited comes within the definition of a related party of the Company because it currently holds 57% of the Company's Shares and is itself controlled by the Company's Chairman, Mr Samuel Wing Sun Chan.
- 2.9. Section 606(1) of the Corporations Act prohibits the acquisition of relevant interests in a company's voting shares by a person who has together with their associates a relevant interest in more than 20% and less than 90% of a company's voting shares unless the acquisition falls within one of the exemptions set out in Section 611 of the Corporations Act. Prior to the issue of the Freefire Shares, Freefire has a relevant interest in 57% of the Company's voting shares. As such, the acquisition of the Freefire Shares by Freefire Technology Limited would result in a breach of Section 606(1) of the Corporations Act. One of the exemptions to the prohibition in Section 606(1) of the Corporations Act is where shareholder approval to the issue is obtained in accordance with Section 611 Item 7 of the Corporations Act.
- 2.10. The notice of the meeting to obtain shareholders' approval must comply with ASX Listing Rule 10.13 and Section 611 Item 7 of the Corporations Act. Therefore, as required by Listing Rule 10.13 and Section 611 Item 7 of the Corporations Act the following additional information is provided:
  - (i) The Freefire Shares shall be issued to Freefire Technology Limited.
  - (ii) The maximum numbers of Shares that may be issued to Freefire Technology Limited is 26,250,000.

- (iii) The Company will issue the Freefire Shares as soon as practical after the Meeting but in any event not later than one month after the date of the Meeting.
- (iv) Freefire Technology Limited is a related party of the Company for the reason set out in Section 2.7 (above).
- (v) The Freefire Shares will be issued for cash consideration of A\$0.08 each. The Freefire Shares will be fully paid ordinary shares and are subject to the same rights and obligations and rank equally with all other shares in the capital of the Company.
- (vi) A\$2.1million will be raised from the issue of the Freefire Shares. The issue of shares to Freefire will be substantially funded by the discharge of outstanding debts to Freefire in order to improve the Company's balance sheet.
- (vii) Upon the issue of the Freefire Shares, the maximum extent of an increase in the voting power of Freefire Technology Limited would be 5%.
- (viii) Upon the issue of the Freefire Shares, Freefire will be able to vote Shares equal to 62% of the total Shares eligible to vote in a general meeting of the Company.
- (ix) Upon the issue of the Freefire Shares the maximum increase in the voting power of each of the associates of Freefore that would result from the acquisition would be 5%.
- (x) Upon the issue of the Freefire Shares the voting power of each of the associates of Freefire Technology Limited would be 62%.

2.11. If approval is given under ASX Listing Rule 10.11 approval is not required under ASX Listing Rule 7.1 (please see Section 1.1 (above) for details of ASX Listing Rule 7.1).

#### **Chapter 2E Corporations Act 2001 (Cth)**

2.12. Under Chapter 2E *Corporations Act 2001* (Cth) a public company must not give a "financial benefit" to a "related party" without shareholder approval unless an exception applies. ("Related party" includes a director of the public company and a person who has been a director of the public company within the last six months. The expression "financial benefit" is widely defined and includes the issue of securities in the company.) One of the exceptions is where the benefit is on terms that are no better than would be considered as arm's length in the circumstances of the Company.

2.13. The proposed issue of Shares to Freefire was announced on 24 September 2015 together with the issue of Shares to the Excluded Offerees, which issue was the subject of Resolution 1. The terms of the issue of Shares to the Excluded Offerees were negotiated between the Company and the Excluded Offerees and Freefire Technology Limited agreed to take the Freefire Shares on the same terms, subject to shareholder approval. The Company considered a rights issue to raise the A\$3.4 million (being the total raised from the issue of Shares to the Excluded Offerees and the proposed issue to Freefire Technology Limited) but was unable to obtain underwriting for the full amount. Given the Company has only recently commenced mining operations at Crater Mountain and that these operations are not yet cash-flow positive the Company is unable to obtain bank funding on reasonable terms.

2.14. Accordingly, the Directors consider that given the circumstances of the Company the issue of the Freefire Shares to Freefire Technology Limited as proposed would be on arm's length

terms for the purposes of Chapter 2E Corporations Act and therefore Shareholder approval is not required for the purpose of Chapter 2E Corporations Act.

### 3. VOTING RIGHTS

The Board has determined that all of the shares of the Company will be taken, for the purposes of determining the right of shareholders to attend and vote at the meeting, to be held by the persons who are registered in the Company's register of shareholders at 11.00am (AEST) on 11 November 2015 as the owners of those shares. Therefore transfers registered after that time will be disregarded in determining shareholders entitled to attend and vote at the Meeting.

### 4. PROXIES

4.1. a Shareholder entitled to attend and vote at the Meeting may appoint:

- (i) one proxy if the Shareholder is only entitled to one vote at the meeting; or
- (ii) one or two proxies if the Shareholder is entitled to more than one vote at the meeting, to attend and vote at the meeting of the Shareholder.

4.2. A Shareholder may appoint an individual person or a body corporate as the Shareholder's proxy.

4.3. A body corporate appointed as a shareholder's proxy may appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been provided to the Company.

4.4. A Shareholder who appoints two proxies may state on the Proxy Form what proportion or number of the Shareholder's votes the proxy may exercise. If a Shareholder appoints two proxies and does not specify the number of proportion of votes each proxy may exercise, each of the proxies may exercise half of the Shareholder's votes.

4.5. A proxy need not be a shareholder of the Company.

4.6. Section 250BB(i) Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and **if it does**:

- (i) the proxy need not vote on a show of hands but if the proxy does so the proxy must vote that way (ie. as directed); and
- (ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution the proxy must not vote on a show of hands; and
- (iii) if the proxy is the chair of the meeting at which the resolution is voted on the proxy must vote on a poll and must vote that way (ie. as directed); and
- (iv) if the proxy is not the chair the proxy need not vote on the poll but if the proxy does so the proxy must vote that way (ie. as directed).

4.7. Section 250BC Corporations Act provides that if:

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members; and
- (ii) the appointed proxy is not the chair of the meeting; and
- (iii) at the meeting, a poll is duly demanded on the question that the resolution be passed; and
- (iv) either of the following apply:

- (a) if a record of attendance is made for the meeting – the proxy is not recorded as attending;
- (b) the proxy does not vote on the resolution;

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at that meeting.

4.8. A Proxy Form is enclosed. If you wish to appoint a proxy or proxies you must complete the Proxy Form and deliver it to the Company's Share Registrar together with the power of attorney or other authority (if any) under which it is signed (or a certified copy), by no later than 11am AEST on 11 November 2015.

## 5. CORPORATE REPRESENTATIVE

A Shareholder which is a body corporate may appoint an individual as the Shareholder's representative to attend and vote at the meeting. The representative must bring the formal notice of appointment to the meeting, unless it has previously been provided to the Company.

## 6. OTHER INFORMATION

Queries in relation to the lodgment of proxies or other matters concerning the General Meeting may be directed to the Company Secretary Tel: (+61 419 473925)

## 7. INTERPRETATION

In this notice of meeting the following expressions have the following meanings:

"ASX" means Australian Securities Exchange.

"Board" means the Directors of the Company from time to time acting as a board.

"Company" means Crater Gold Mining Limited ABN 75 067 519 779.

"Corporations Act" means the Corporations Act 2001 (Cth).

"Directors" means the Directors of the Company.

"Excluded Offerees" means those persons to whom the 16,250,000 Shares, the subject of Resolution 1, were or will be issued.

"Freefire Shares" means 26,250,000 Shares to be issued to Freefire Technology Limited on the passing of Resolution 2.

"Group" means the Crater Gold Mining Limited group of companies comprising the consolidated entity referred to in the Company's 2015 Annual Report.

"Meeting" means the General Meeting of Shareholders convened for 13 November 2015 and any adjournment thereof.

"Section" means a section of this Explanatory Memorandum.

"Shares" means ordinary fully paid shares in the capital of the Company.

"Shareholder" means a shareholder of the Company.

# KS Black Financial Advisory Pty Ltd

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Phone 02 8839 3000  
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12 October 2015

The Directors  
Crater Gold Mining Limited  
Level 4  
15-17 Young Street  
SYDNEY NSW 2000

Dear Board Members,

## **Resolution 2 – Issue of Shares to Freefire Technology Limited (“Freefire”)**

### **Executive Summary**

#### **1. Purpose of the Report**

The Directors of Crater Gold Mining Limited (“the Company” or “Crater”) have requested us to provide an Independent Experts Report to consider the fairness and reasonableness to non-associated shareholders of the issue of shares to Freefire Technology Limited.

Such a report is required to be submitted to non-associated shareholders of the Company in accordance with the Corporations Act.

Resolution 2 is as follows:

*To consider and, if thought appropriate, pass the following resolution as an ordinary resolution:*

*“That for the purpose of ASX Listing Rule 10.11, Section 611 (7) and for all other purposes the Company is authorized to issue to Freefire Technology Limited, a company associate with Director Samuel Wing Sun Chan, 26,250,000 fully paid ordinary shares at A\$0.08 per share which will result in Freefire Technology Limited acquiring relevant interest those Shares in within one month of the date of the passing of this resolution.*

#### **2. Conclusion**

In our opinion, and for the reasons set out in this Report, the acquisition is not fair but is reasonable.

- a. The issue consideration is not fair as it is less than the value of the shares being issued.
- b. The issue consideration is reasonable as the Company is receiving cash flow which could lead to the value of the Company's shares increasing through repaying debt, increasing returns to shareholders.

## **Background Information**

### **1. Background to Issue of Shares**

Resolution 2 seeks Shareholder approval for the issue of 26,250,000 Shares to Freefire Technology Limited.

The funds raised from the issue of Shares will be used to reduce debt.

ASX Listing Rule 10.11 provides that, subject to certain exceptions, an ASX-listed company must not issue equity securities to a "related party" of the company without the approval of the company's shareholders. Freefire Technology Limited comes within the definition of a related party of the Company because it holds currently approximately 57% of the Company's Shares and is itself controlled by the Company's Chairman, Mr Samuel Wing Sun Chan.

### **2. Financial Information**

The financial information below has been prepared in accordance with International Financial Reporting Standards. There is no material difference between the latter and Australian Accounting Standards.

Below are Australian dollar extracts from the audited Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2015.

	<b>\$A ,000</b>
Income	57
Less expenses;	(2,574)
Loss before taxation	(2,517)
Exchange differences on translating foreign operations	2,117
Total comprehensive loss for the year	(400)

Below are extracts from the audited Consolidated Statement of Financial Position as at 30 June 2015.

	<b>\$A ,000</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	501
Trade and other receivables	216
<b>Non-current assets</b>	
Explanation and evaluation	30,781
Mining assets	6,159
Plant and equipment	1,061
Other	67
Total assets	<u>38,785</u>

	\$A ,000
Liabilities	
Current liabilities	
Trade and other payables	1,878
Related party payables	562
Interest bearing liabilities	1,260
Non-current liabilities	
Interest bearing liabilities	2,977
Total liabilities	<u>6,677</u>
Net assets	<u>32,108</u>
Shareholders equity	
Share capital	53,724
Resources	3,747
(Accumulated losses)	<u>(25,363)</u>
Total shareholders equity	<u>32,108</u>

## 2. Requirement for an Independent Expert's Report

ASIC Regulatory Guide 111 provides there is a general information requirement on directors which can be satisfied by providing an independent expert's report to consider the fairness and the reasonableness of the acquisition.

The Directors have appointed KS Black Financial Advisory Pty Limited as the independent expert for the purposes of the Corporations Act.

We are required to:

- a. determine whether the issue consideration is fair and reasonable to non-associated shareholders; and
- b. address in our report any other information which we know which is material to shareholder decisions on the issue consideration.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the offer. An offer is "fair" if the value of the consideration is equal to or greater than the value of the shares issued. The issue consideration is "reasonable" if it is fair. It might also be reasonable if the expert believes there are sufficient reasons for shareholders to accept the issue. This means taking into account the likely advantages and disadvantages for non-associated shareholders and comparing them with the advantages and disadvantages for those shareholders if it is not accepted.

## 4. Valuation of Interest in Crater

### 4.1 Valuation Methodologies

To determine if the issue is fair, we must derive an appropriate value of the shares to be acquired in The Company.

The primary valuation methods commonly used for valuing an interest in a company are the:

- a. Market Based Methods
- b. Income Based Methods; and
- c. Asset Based Methods

#### **4. Valuation of Interest in Crater**

##### **4.1 Valuation Methodologies (cont.)**

Each of these methodologies has application in different circumstances.

###### **a. Market Based Methods**

Market-Based Methods estimate a company's shares fair market value by considering the market price of transactions of Crater, or the market value of guideline publicly traded companies. As Crater is a public listing company, this market price is ascertainable.

###### **b. Income Methods: Discounted Cash Flow ("DCF") Method**

Under the DCF methodology, the value of shares is calculated as the net present value of the estimated future cash flows including a terminal value, if appropriate. In order to arrive at the net present value, cash flows are discounted using a discount rate, which reflects the risks associated with the cash flow stream.

This approach is commonly used to value an asset that has a finite life and the future cash flows can be forecast with a reasonable degree of confidence. Additionally, this methodology is adopted for the valuation of projects and assets where it is not possible to estimate "maintainable" earnings as the business is in a state of transformation, start-up or rapid growth.

###### **c. Asset Based Methods**

An Asset-Based methodology can be applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It is commonly used in circumstances where the earnings of the company do not support the net asset base, for example, loss-making property or share holding companies.

Using this methodology, the value of an interest in a company would be adjusted for the time, cost and taxation consequences of realising the company's assets.

##### **4.2 Selection of Methodology**

As Crater is a mining company, and as its operations have only commenced recently and are not yet cash flow positive, neither income or cash inflows are consistent.

We have considered the Assets Based Method as an appropriate basis to value as Crater is loss-making.

However, we consider the Market Based Method is most appropriate as Crater is a listed public company having sufficient stock market turnover so that its market price can be used to determine the value of its shares.

### 4.3 Valuation of Shares of Crater

#### 4.3.1 Market Based Method

We have reviewed stock market prices and turnover for September 2015 in Table 1 below.

Table 1

Date	Turnover	Price
2 September	42,117	.098
4 September	180,636	.09
9 September	188,945	.11
18 September	42,000	.11
24 September	107,400	.095
28 September	42,900	.095

The share price is trending down, but is not yet at 9 cents consistently.

#### 5. Conclusion as to Fairness

The shares to be issued constitute 5% of total shares, and will have Freefire Technology Limited having 62 % of total shares. As the market value of shares is above the 8 cents issue price, this issue price reflects no premium for the shares issued. In addition, the 8 cents issue price is below the consistent market value of Crater.

As the issue price is below the value of shares in Crater, the issue consideration is not fair to the non-associated shareholders of the Company.

#### 6. Position if Offer is Accepted

ASIC Regulatory Guide 111 states that the independent expert needs to consider whether the Proposal is fair and reasonable to the members of the Company as a whole. Therefore, we have considered the position if the resolution is adopted and have taken into account the following advantages and disadvantages in this assessment.

We have weighed these advantages and disadvantages and have found the acquisition is reasonable.

##### i. Advantages

- a. The Company's shareholders may no longer have an interest in a loss-making investment. Hence the value of their shares could increase, increasing returns to shareholders as the cash flow from the issue will reduce debt.

##### ii. Disadvantages

- a. The Company's shareholders may not be able to accept other offers of cash injections due to the size of Freefire's interest, which restrict the potential profitability of Crater through expansion, and hence the value of their shares, decreasing returns to shareholders.

#### 7. Sources of Information

We have relied on the following information for the purposes of preparing this Report:

- Audited Financial statements of Crater for the year ended 30 June 2015.
- Discussions with the Company management.
- Australian Financial Review.
- ASX website.

#### **8. Independence**

We are entitled to receive a fee of \$15,000 (excluding GST) for this Report. Except for the fee, we have not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

Prior to accepting this engagement, we considered our independence with respect to the Company with reference to the ASIC Regulatory Guide 112 titled "Independence of Experts". In our opinion, we are independent of the Company.

We do not have at the date of the Report, and have not had within the previous 2 years, any relationship with the Company beyond that of professional advisors.

A draft of this Report was provided to the Company and its advisers for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

In addition, we have been indemnified by the Company in respect of any claim arising from our reliance on information provided by the Company, including the non-provision of material information, in relation to the preparation of this Report.

#### **9. Qualifications**

KS Black Financial Advisory Pty Limited has experience in the provision of corporate financial advice.

#### **10. Disclaimers and Consents**

This Report has been prepared at the request of the Company.

We hereby consent to this Report accompanying the Notice of General Meeting. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without prior written consent.

We take no responsibility for the contents of the Notice of General Meeting other than this Report.

We have not independently verified the information and explanation supplied to us, nor have we conducted anything in the nature of an audit of the Company, but we have critically evaluated all relevant information obtained. However, we have no reason to believe that any of the information or explanation so supplied is false or that material information has been withheld.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of our engagement are such that we have no obligation to update this Report for events occurring subsequent to the date of this Report.

#### **11. Indemnity**

The Company has provided an indemnity for us for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this Report.

Yours sincerely

KS BLACK FINANCIAL ADVISORY PTY LTD

*KS Black Financial Advisory Pty Ltd*

## FINANCIAL SERVICES GUIDE

Dated 12 October 2015

**KS Black Financial Advisory Pty Ltd ACN 604 130 529** ("KSB FA" or "we" or "us" or "ours as appropriate") has been given authority to issue general financial product advice in the form of a report to be provided to you. We are an authorised representative of Alpha Securities Pty Ltd (ACN 124 327 064) ["Alpha"].

### 1. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees. This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide are by way of authority under the Australian Financial Services Licence, Licence No 330757 of Alpha;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

### 2. FINANCIAL SERVICES WE ARE AUTHORISED TO PROVIDE

We are an authorised representative of Alpha. Alpha holds an Australian Financial Services Licence and is authorised to provide general financial product advice to retail and wholesale clients including the following classes of financial products:

- Derivatives limited to old law securities, options contracts and warrants;
- Securities; and
- Superannuation

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly, but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided under an authority given by a financial services licensee authorised to provide the financial product advice contained in the report.

### 3. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider the statement before making any decision about whether to acquire the product.

### 4. FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We have charged \$15,000 (excluding GST) for providing this report.

Except for the fees referred to above, neither we, nor any of its directors, employees or related entities, have received any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### 5. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary.

### 6. REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### 7. ASSOCIATIONS AND RELATIONSHIPS

From time to time, we may provide professional services to financial product issuers in the ordinary course of our business under Alpha's authority.

### 8. COMPLAINTS RESOLUTION

#### 8.1 International Complaints Resolution Process

Having authority under a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, KS Black Financial Advisory Pty Limited, 20 Grose Street, North Parramatta NSW 2150.

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after

receiving the written complaint, we will advise the complaint in writing of our determination.

## **8.2 Referral to External Dispute Resolution Scheme**

A complaint not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Alpha is a member of the FICS Complaints Handling Tribunal No. E-473.

Further details about FICS are available at the FICS website [www.fics.asn.au](http://www.fics.asn.au) or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited

PO Box 579  
Collins Street West  
MELBOURNE VIC 8007

Toll free: 1300 780 808  
Facsimile: (03) 9621 2291

## **9. CONTACT DETAILS**

You may contact us using the details set out in paragraph 8.1 in this FSG.

### LODGE YOUR VOTE

 **ONLINE**  
www.linkmarketservices.com.au

 **BY MAIL**  
Crater Gold Mining Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
02 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**  
Telephone: 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of Crater Gold Mining Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **11:00am (AEST) on Friday, 13 November 2015 at Level 4, 15-17 Young St, Sydney, NSW, 2000** (the Meeting) and at any postponement or adjournment of the Meeting.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

#### Resolutions

	For	Against	Abstain*
1 Ratification of Share Placement – Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval to Issue Shares – Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 2

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

STEP 3



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AEST) on Wednesday, 11 November 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MAIL

Crater Gold Mining Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

02 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
or  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**