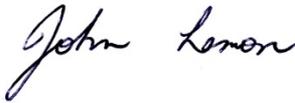


12 November 2013

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.

12 November 2013

Dear Shareholder

Underwritten Non-Renounceable 1 for 4 Rights Issue

On 11 November 2013 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 \$2,182,965 through the issue of up to 27,287,064 fully paid ordinary shares at \$0.08 (8 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 19 November 2013. 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 progress exploration and development of the Crater Mountain, PNG Project's High Grade Zone ("HGZ") with the objective of commencing production mid-2014, as well as to cover the costs of the rights issue and for working capital generally.

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. 109,148,256 shares, all of which are quoted on ASX; and
2. 6,539,048 options, none of which are quoted on ASX.

If all 27,287,064 shares are issued under the Rights Issue the Company will have on issue 136,435,320 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 are exercised prior to the record date for the Rights Issue it this 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 will be exercised as the exercise price of each is above the offer price under the Rights Issue.

The Rights Issue is fully underwritten as to half each by Freefire Technology Limited (**Freefire**) and Bloom Star Investment Limited (**Bloom Star**) on the terms of the Underwriting Deeds between the Company and each of Freefire and Bloom Star dated 10 November 2013. The underwriting fee payable by the Company to each of Freefire and Bloom Star is 5% of the amount underwritten. As the underwritten amount is \$2,182,965.12 the total underwriting fee is \$109,148.25. To clarify, any shortfall will be allocated to Freefire and Bloom Star as the underwriters 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	Tuesday 12 November
Shares trade "Ex" the entitlements issue on the ASX	Wednesday 13 November
Record Date to identify Eligible Shareholders and to determine Entitlements under the offer	Tuesday 19 November
1. Despatch of Offer and Entitlement and Acceptance Form ("Opening Date") 2. Advise ASX that despatch completed	Monday 25 November
Closing Date	Monday 16 December
Securities quoted on a deferred settlement basis	Tuesday 17 December
ASX notified of under-subscriptions	Thursday 19 December
Despatch Share Holding Statements	Monday 23 December
Expected commencement of trading of new shares on ASX	Tuesday 24 December

*The timetable is indicative only and subject to change. Subject to the 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 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) 3832 1329).

Yours faithfully

CRATER GOLD MINING LIMITED

A handwritten signature in black ink, appearing to be 'GS', written over a faint, larger signature.

Greg Starr
Managing Director