CRATER GOLD MINING

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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, 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.

24 March 2015

Australian Securities Exchange

Rights Issue Cleansing Notice under section 708AA(2)(f) *Corporations Act*

This notice is given by Crater Gold Mining Limited (**CGN** or **the Company**) under paragraph 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**the Act**) as notionally modified by ASIC Class Order 08/35.

Earlier today CGN announced a non-renounceable, pro rata rights issue (**Rights Issue**) of 1 fully paid ordinary share (**New Share**) for every 4 ordinary shares held as at as at 7pm (AEDST) on Monday 30 March 2015 by CGN's eligible shareholders. The issue price for each New Share under the Rights Issue will be $0.09 (9 cents).

CGN advises that:

(a) the New Shares will be offered for issue without disclosure under Part 6D.2 of the Act;
(b) this notice is being given under paragraph 708AA(2)(f) of the Act;
(c) as at the date of this notice CGN has complied with:
  (i) the provisions of Chapter 2M of the Act as they apply to CGN; and
  (ii) section 674 of the Act;
(d) as at the date of this notice there is no excluded information of the type referred to in subsections 708AA(8) or (9) of the Act; and
(e) the potential effect the Rights Issue will have on the control of CGN, and the consequences of that effect, will depend on a number of factors, including Shareholder demand. The potential effect and the consequences of that effect are assessed further below.

Further to paragraph (e) above, the Company's major shareholder, Freefire Technology Ltd (**Freefire**), which presently holds 60.42% of CGN's issued share capital and is controlled by CGN's Chairman of Directors Mr Sam Chan, has agreed to take up its full pro rata entitlement under the Rights Issue. (Note that Mr Chan, in addition to his holding through Freefire, controls a further 564,500 shares in the Company, giving him control over a total of 60.83% of the Company's shares). Freefire has advised the Company however that it will not be applying for shares in addition to its pro rata entitlement under the Rights Issue. In addition, Freefire has agreed to underwrite the Rights Issue shortfall at the issue price of $0.09 (9 cents) per share. Freefire's underwriting commitment is subject to the terms and conditions of an Underwriting Deed dated 23 March 2015 entered into by Freefire and the Company. The terms of the

Underwriting Deed are typical for such agreements including typical conditions precedent and termination events.

The Company has for some time sought additional funding to enable it to further develop the Crater Mountain, PNG gold project in particular. The difficulty in sourcing investment funds over the last several years has led the Company to adopt a strategy of developing the High Grade Zone (**HGZ**) at the Crater Mountain Project and engaging in small scale mining of gold there with a view to using the cash flow generated to (i) further develop the HGZ; (ii) undertake ongoing exploration of the larger Crater Mountain potential; and (iii) conduct a drilling programme at the Company's graphite project at Golden Gate, Croydon, Queensland.

The Company has approached potential underwriters and funders but has not been able to secure firm commitments from potential underwriters on terms better than those offered by Freefire. Fundraising conditions unfortunately continue to be very poor for small cap mining exploration companies in general and for the Company itself. The Company notes that Freefire already exercises significant voting control at the Company's general meetings, however the Company considers that the potential impact on control is minimised by:

1. eligible shareholders other than Freefire being offered the right to subscribe for excess entitlements out of any shortfall before the underwriting is called upon; and
2. the Rights Issue share issue price being significantly discounted to the market share price, providing more of an incentive to the Company's shareholders to invest under the Rights Issue.

The Company has on issue 136,435,320 ordinary shares, 138,190 convertible notes and 7,457,500 unlisted options. The Company does not anticipate that a significant number of convertible notes and/or options, if any, will be exercised to take advantage of the Rights Issue.

Therefore, assuming no rights to take up shares are exercised by convertible note holders and/or option holders, the potential effect* of the issue of New Shares on the control of the Company is illustrated below:

	POTENTIAL ACCEPTANCE	**EFFECT ON CONTROL**
1.	If all eligible shareholders take up their full entitlement under the Right Issue	No effect on control. Freefire's shareholding would remain at 60.42% and Mr Chan's level of control would remain at 60.83%
2.	If eligible shareholders other than Freefire take up only 50% of their full entitlement under the Rights Issue and Freefire takes up its full entitlement and also takes up the shortfall in accordance with its underwriting commitment	Freefire's shareholding would increase from 60.42% to 64.38% and Mr Chan's level of control would increase to 64.71%**
3.	If Freefire is the only shareholder to take up its entitlement under the Rights Issue and also takes up the shortfall in accordance with its underwriting commitment	Freefire's shareholding would increase from 60.42% to 68.33% and Mr Chan's level of control would increase to 68.67%**

* If any of the option and/or convertible note rights to take up shares are exercised then the Major Shareholder's percentage of the shareholding would decrease.

** Mr Chan's 564,500 shares in the Company are held through a nominee. Mr Chan does not intend to take up his entitlement under the Rights Issue in respect of the 564,500 shares.

Eligible shareholders may apply for shares in addition to their pro rata entitlements 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 then 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. Freefire has indicated that it does not intend to apply for any of the shortfall in addition to its pro rata entitlement. To the extent that the Company allocates additional shares to eligible shareholders in excess of their pro rata entitlements the increase in Freefire's shareholding in items 2 and 3 in the above table will be lessened.

The consequence of the change of control referred to in items 2 and 3 in the above table would be to slightly increase Freefire's voting power at the Company's general meetings. The practical effect of this would be minimal.

Yours Faithfully,
CRATER GOLD MINING LIMITED

Greg Starr
Managing Director