

16 February 2017

Ms Stephanie Yong
Senior Adviser, Listings Compliance
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

APPENDIX 5B QUERY

Crater Gold Mining Limited (“**Crater**”, or “the **Company**”) refers to your letter dated 13 February 2017.

Using the numbering in your letter, the Company responds to your questions as follows:

1. *Does CGN expect that it will continue to have negative operating cash flows for the time being and, if not, why not?*

The Company previously advised (via Appendix 5B query 2 December 2016) that it expects to continue to have negative operating cash flows for a relatively modest period. Although the Company has produced gold and generated revenues from its High Grade Zone (HGZ) mine in PNG, the operation is producing negative cash flows at present. A new adit under development is expected to access mineralisation at a different level within the mine early in 2017 and significantly improve the performance of the operation. However, the Board is not in a position to accurately estimate when this will occur, or what the financial outcomes will be. The Board continues to monitor cash flows to ensure the Company remains positioned to achieve its business objectives.

2. *Has CGN taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?*

The Company has been able to raise capital in the past as required to support its activities. The Company has received consistent financial support from its Chairman, Sam Chan (Freefire Technology Limited, or ‘Freefire’). This support remains ongoing and is expected to be available in the event of ongoing delay in the High Grade Zone (HGZ) reaching its target performance. The Company and Freefire have entered into a non-binding, indicative term sheet whereby Freefire will advance \$700,000 by way of loan to the Company for ongoing operating expenses; this loan remains repayable to Freefire on demand and forms part of the aggregate \$1.93 million loan advanced by Freefire to the Company and outstanding at this point in time.

3. *Does CGN expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

The Board expects to be able to continue its operations and to meet its business objectives. The Board expects revenue and overall financial performance to improve during 2017. The Company has been able to raise capital in the past as required to support its activities and is confident that it has the ability to raise working capital if required.

4. *Please provide any other information that CGN considers may be relevant to ASX forming an opinion on whether CGN is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).*

In relation to Listing Rule 12.2, the adequacy of the Company's financial position is dependent on the performance of the High Grade Zone (HGZ) mine in PNG and the success of future fund raising activities. The Board is confident of obtaining further funding as outlined in Item 2 above. The Company notes that \$3.45 million in convertible notes are due to mature in August 2017 and its financial performance and/or capital raising will need to accommodate the potential repayment of those convertible notes, absent the election of convertible noteholders to convert the notes to equity, or a renegotiation of their terms. It is noted in this respect that \$2.51 million of the Convertible Notes face value are held by Sam Chan (Freefire).

5. *Please confirm that CGN is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.*


The Company is in compliance with the ASX Listing Rules, in particular listing rule 3.1 and there is no information that should be given to ASX about the Company's financial condition in accordance with that Rule that has not already been released to the market.

6. *Please confirm that CGN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CGN with delegated authority from the board to respond to ASX on disclosure matters.*

The Company confirms that its responses to the questions above have been authorised and approved by the Board of the Company.

Yours Sincerely

Crater Gold Mining Limited



Heath Roberts
Company Secretary



13 February 2017

Heath Roberts
Company Secretary
Crater Gold Mining Limited
Level 4, 15-17 Young Street
Sydney NSW 2001

By email

Dear Mr Roberts

Crater Gold Mining Limited (“CGN”): Appendix 5B Query

I refer to CGN’s Appendix 5B quarterly report for the period ended 31 December 2016 lodged with ASX Market Announcements Platform on 30 January 2017 (the “Appendix 5B”).

ASX notes that CGN has reported:

- negative net operating cash flows for the quarter of \$950,000;
- cash at the end of the quarter of \$173,000; and
- estimated cash outflows for the next quarter of \$1,487,000.

It is possible to conclude, based on the information in the Appendix 5B that if CGN were to continue to expend cash at the rate indicated by the Appendix 5B, CGN may not have sufficient cash to continue funding its operations. In view of that, ASX asks CGN to respond separately to each of the following questions and requests for information:

1. Does CGN expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has CGN taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does CGN expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that CGN considers may be relevant to ASX forming an opinion on whether CGN is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

5. Please confirm that CGN is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.
6. Please confirm that CGN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CGN with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **5.00pm AEDT on Thursday, 16 February 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in CGN's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CGN's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by return e-mail or by facsimile to (02) 9241 7620. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to CGN's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that CGN's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in CGN's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and

- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Stephanie Yong
Senior Adviser, Listings Compliance (Sydney)