



Crater Gold Mining Limited ABN 75 067 519 779

Financial Report

For the half year ended

31 December 2017

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Review of Operations

OPERATIONS REPORT

HGZ PROJECT: CRATER MOUNTAIN , PNG:

The half year ending 31st December 2017 was one of continued progress working towards the resumption of mining and exploration activities at the HGZ project, Crater Mountain. The Company carried out a technical review of the HGZ Nevera Gold Mine which was led by Mr. Robert Usher, mining engineer and former Executive General Manager of PanAust Asia along with a high-level geological review by experienced career geologist Mr. Dorian L. (Dusty) Nicol.

Mining Associates Limited (**MA**) were retained to assist in the preparation of various mine plan parameters, in particular in identifying stoping blocks with gold grades in excess of 10g/t both above the 1960 level and between the 1930 level up to the 1960 level. MA also assisted with confirmation of the Company's intended mining method to efficiently extract the targeted gold-bearing ore.

Minmet Services Pty Ltd (Minmet) were also engaged to carry out a review of the processing plant and to recommend upgrades for implementation before the recommencement of operations to improve gold recovery. Minmet's scope of work also included metallurgical test work and analysis to confirm operating plans with early batch plant run representative ore data being collected to ensure laboratory test works are aligned with actual plant operating conditions.

The primary focus for management during the half year was on developing plans from the results of the aforementioned studies in readiness for the restart of gold mining and exploration activities, including a planned resumption of drilling at Crater Mountain.

While working towards the resumption of mining a thorough repair and maintenance program of the site and all equipment was carried out and a comprehensive preventative maintenance schedule produced.

As previously reported, in line with the Company's strategy to restart exploration an Atlas Copco Diamec 252 drill rig was purchased along with additional ancillary equipment. The rig is a very compact drill rig, estimated to be able to drill diamond core holes of up to approximately 300m in length. The rig has been fully serviced and is ready to commence a drilling program, its compact size allows it to drill from within the adits thus accelerating the lateral and depth extension drilling of the HGZ.

A focused recruitment drive for key personnel was completed and these employees have now completed a review and revision of the Company's SOPs in all areas. Amongst these appointments was a specialist Community Relations Officer which has led to improved relationships with the community at large. The Company has also made significant progress on the development of the Memorandum Of Agreement between the Company, the community and the local and national government. We expect to finalise this agreement in the coming months.

A high-level 12 months mining plan for long hole stope mining was also completed and presented to the Mineral Resources Authority (MRA), and approved, as part of the process of working towards the re-commencement of mining operations.

The Warden's hearings were completed for ELs 2249 & 2318 during the period.

EVENTS SUBSEQUENT TO END OF HALF YEAR

On the 2nd March 2018, the Company received approval from the Mineral Resources Authority (MRA) for a conditional restart of mining operations at the HGZ. Mining is now underway on the 1960 level and development work for the 1930 level has also commenced. With the approval to recommence underground operations now being given the Company will also shortly recommence drilling activities, initially from within the 1960 level.

The management of the company are looking forward to seeing the results of operations in the near future, including resumption of production of gold concentrate and drilling.

Subsequent to the half year end further personnel appointments have been made to strengthen the on-site management team with the appoint of Brett Collins as General Manager, PNG. Mr. Collins background is primarily in ore processing, security and safety. He brings a wealth of experience and will contribute to further improving the processing plant functionality and the overall recovery of gold. Mr. Jessy Robin was appointed as the Registered Mine Manager by the MRA and brings with him a wealth of underground engineering and operational experience, much of this experience having been gained operating mines in PNG.

Review of Operations

CROYDON PROJECTS: QLD, AUSTRALIA:

Golden Gate Graphite Project

Drilling Program

During the half year the Company completed two diamond core drill holes as part of a confirmatory drilling program at the Golden Gate Graphite Project.

Graphite mineralisation, hosted in intensely hydrothermally altered granite, was intersected in both holes approximately at the depths previously documented from nearby historical drill holes. Half core samples of the mineralised intervals were assayed by ALS Laboratory Services in Brisbane.

Samples have been selected for petrological and mineralogical examination, designed to determine what elements are associated with the graphite and to determine the graphite grain size characteristics. Composite samples will be selected for detailed metallurgical test work to determine graphite quality and recoveries. Holes were drilled to geotechnical standard using triple tube equipment.

Previous Graphite Evaluation Work

Metallurgical test work by previous explorers at Golden Gate has not been conclusive. Test work that was previously undertaken by the Company on drill core and surface grab chip samples provided contrary results that indicated that some of the graphite samples may have been of amorphous quality. However, mineralogical examination of the drill core test samples suggested that the material may well have been flake graphite that had been pulverised by the action of the RC drilling bit used. Also, the surface grab chip samples were oxidised and not ideal for metallurgical testing.



Figure 1 - Graphite mineralisation from approximately 29.3m from the 1st drill hole.

A2 Polymetallic Project

SGH soil sampling program

The Company completed a grid based SGH soil sampling program at the A2 Polymetallic project during the half. The program involved the collection of B-Horizon soil samples from 361 sites together with 16 selected duplicates for a total of 377 samples.

The SGH sampling technique is a cost effective, deep penetrating geochemical technique which has been successful at other prospects world-wide in being able to detect geochemical anomalism for metals from depths of up to 900 metres.

The grid based sampling program covered the previously drilled mineralised holes at the A2 Polymetallic project site (a zone 1,250m long by 600m wide) and the entire aeromagnetic anomaly, most of which was untested. It was anticipated that the

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SGH technique will collaborate the previously intersected mineralisation identified by the drilling, and further identify extensions of the known mineralisation (refer to Figure 2)

Priority targets identified will be tested by drilling after the wet season in 2018.

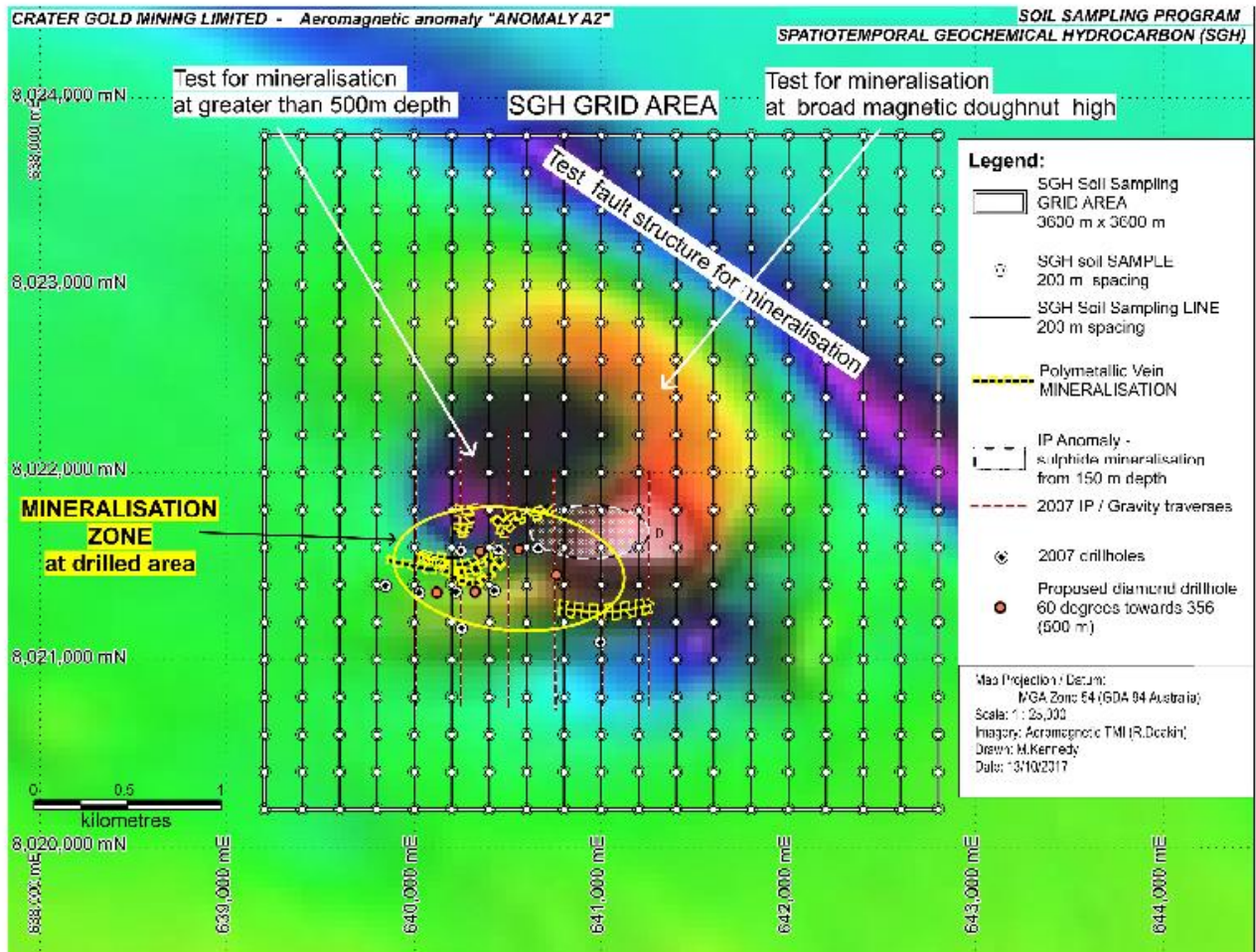


Figure 2: SGH soil grid covering and overlapping the A2 Anomaly and previous drilling.

EVENTS SUBSEQUENT TO END OF HALF YEAR

A2 Polymetallic Project

On 26 February 2018 the Company announced it had received Actab's interpretation report on the Spatiotemporal Geochemical Hydrocarbon (SGH) soil sampling program undertaken at the Company's A2 Polymetallic Project in Croydon, Queensland. From this report the Company has been able to identify high priority drill polymetallic, silver and copper targets at its A2 Polymetallic Project in Queensland. Based on these results, the Company has then applied for tenement EPM 26749 to cover possible extensions.

Actlab's SGH analysis and interpretation led to the identification of the following high priority targets:

1. Polymetallic Anomalies

Three (3) identified polymetallic anomalies (P1, P2 and P3 – Figure 3) associated with Redox-cell R1 (Figure 6), are high priority drill targets to which Actlabs has allocated a high confidence rating of 5.5. Actlabs use a maximum rating score of 6.0, with a rating in excess of 4.0 considered to be significant.

Anomaly P1: This anomaly provides important credibility for the SGH technique as it has detected the broad polymetallic stock-work vein mineralisation previously intersected in drilling by the Company.

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Eight of the previous nine drill holes tested the 500m western half of this anomaly, with only one hole drilled in the 500m eastern half. Further drill testing in the eastern half is warranted.

Anomaly P2: This much larger polymetallic anomaly is located along the margin of the R1 Redox-cell to the north of the A2 project drilled area and persists for at least 500m N-S and 2,800m E-W. High priority targets have been identified for drill testing.

Anomaly P3: This small anomaly is located along the southern boundary of the R1 Redox-cell, just inside the southern tenement boundary. Targets have been identified for drill testing.

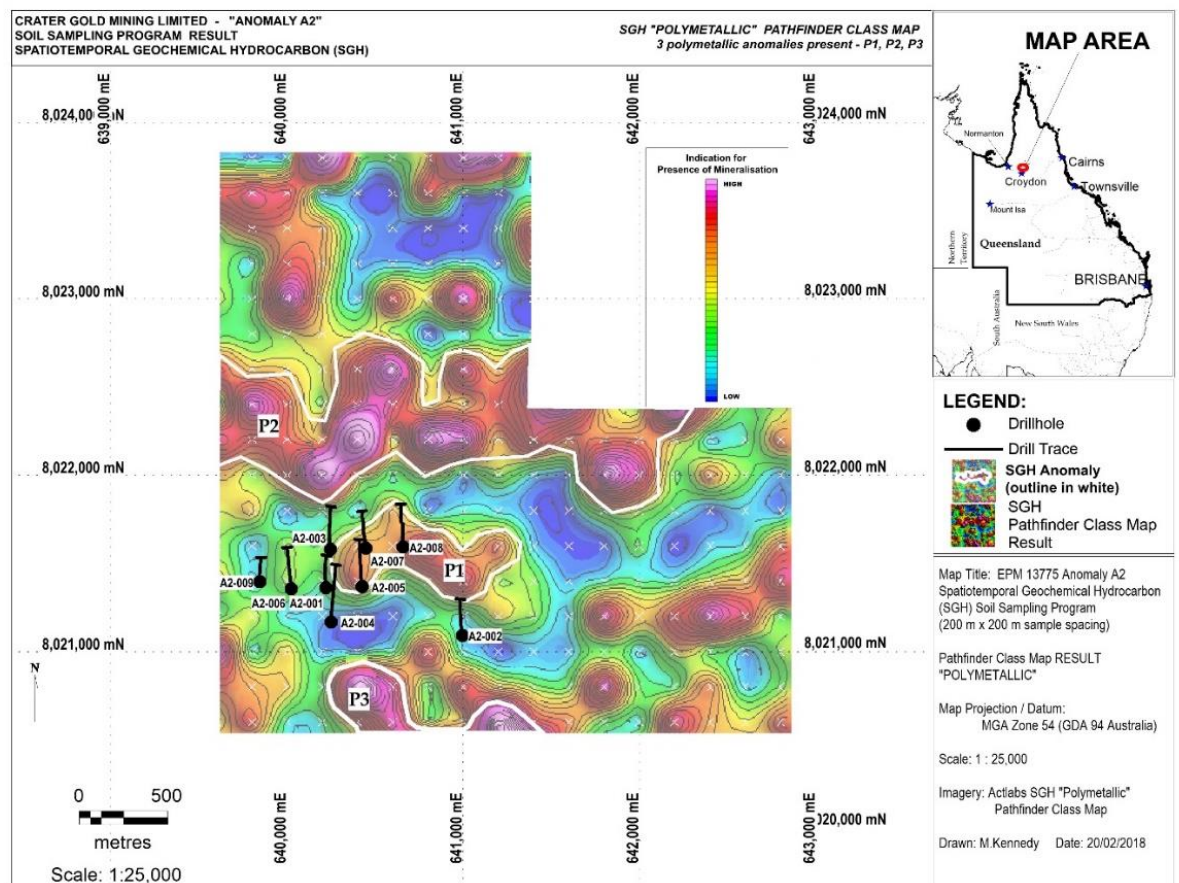


Figure 3 – Polymetallic Targets P1, P2, P3

2. Copper and Silver Anomalies

Large high priority anomalies were located in the NW corner of the EPM (Figures 4,5). While they were identified as separate silver (500m wide E-W and 1,600m N-S) and copper (250m wide E-W and 1,800m N-S) anomalies, they may also indicate the presence of combined copper-silver anomalism. Actlabs interpret that mineralisation is likely to be located vertically beneath the anomalies and these offer high priority drill targets. Actlabs allocated a high confidence rating of 5.0 out of a maximum 6.0 for these anomalies.

3. Redox-Cells

The interpretation of Redox-cells is that the centre of the cell halo is expected to be the original location of the upwelling of mineralising fluids from depth and that the outer segments along the rims of the cells may represent the lateral extent of mineralisation. Their interpretation of the A2 SGH soil sample results has identified a number of nested-segmented Redox-cells in the survey area, shown as R1, R2, R3 and R4 on Figure 6.

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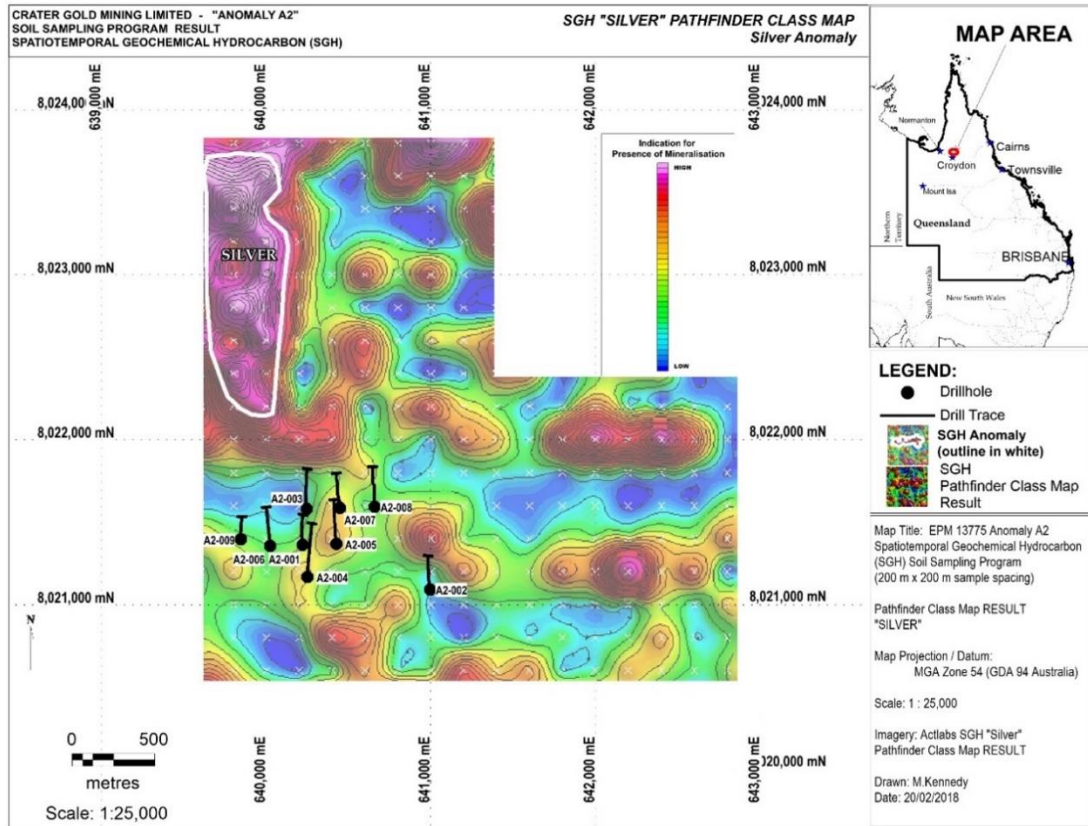


Figure 4- Silver Target

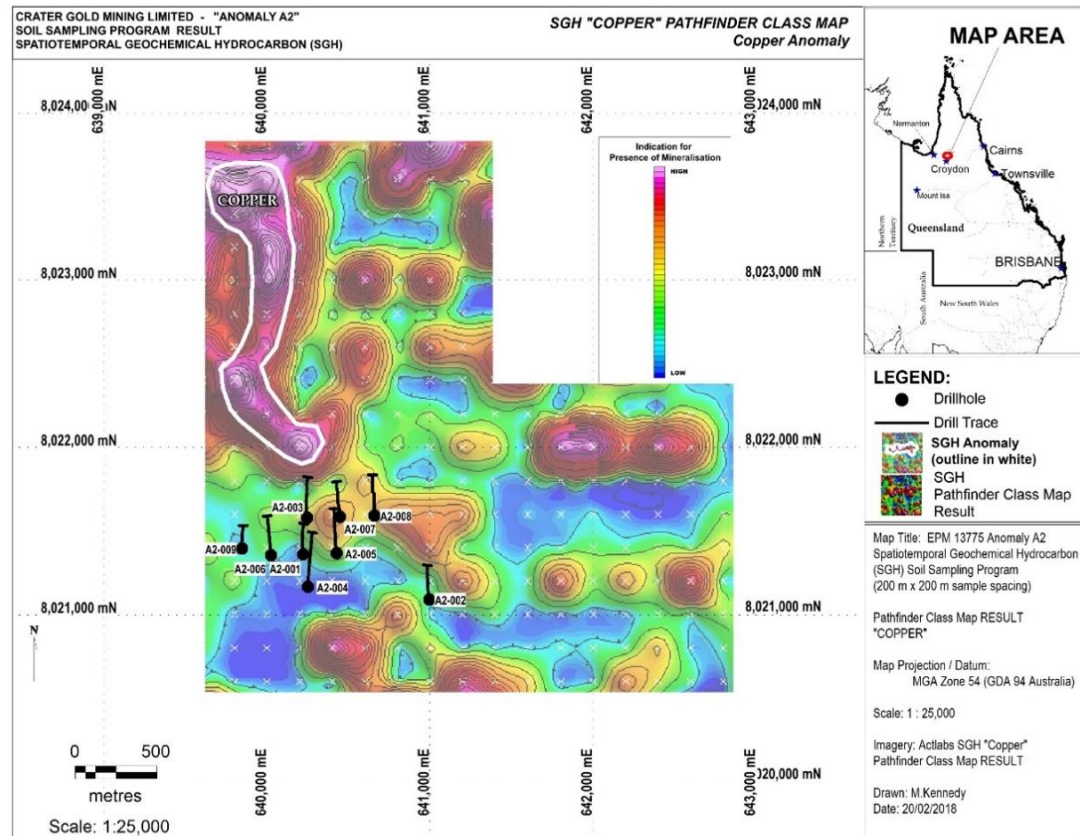


Figure 5- Copper Target

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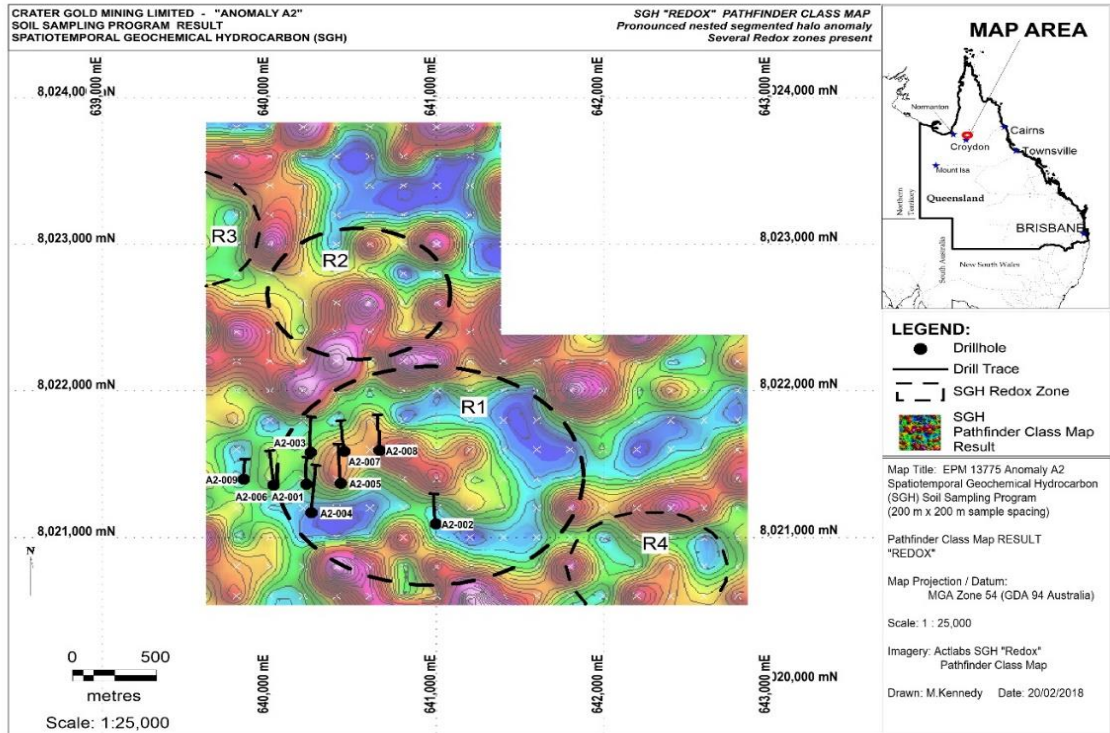


Figure 6- Redox cells

EPMA 26749:

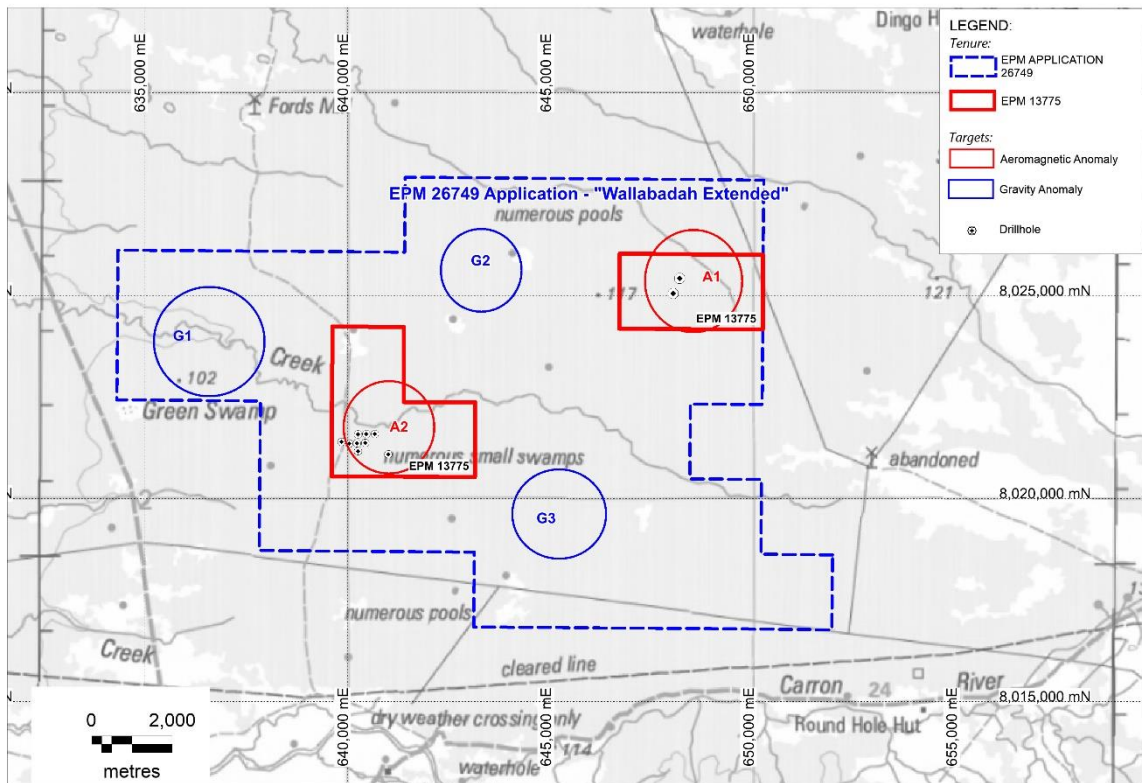


Figure 7: EPMA 26749 application

Review of Operations

Golden Gate Graphite Project:

On 7 February 2018, the Company announced that it intersected thick graphite mineralisation in two diamond core holes drilled in the Golden Gate Project area at Croydon. The drilling confirmed the intersection (in terms of both intersected interval and grade) reported from near-by historical holes (25m to the NE) drilled by previous exploration company Central Coast Exploration (CCE). The drilling also confirmed the down-dip extrapolated extension (95m to the SW) drilled by CCE.

Thick Intervals of Graphite Mineralisation Intersected as follows:

- Hole GGDDH 1701: 62.7m @ 6.79% GC* from 29.3m (cut-off 3.4% GC*)
- Hole GGDDH 1702: 53.9m @ 6.79%GC* from 69.1m (cut-off 3.1% GC*)

*GC = Graphitic Carbon

The Company is optimistic that if further drilling results match the historical drilling results, then it may be possible to have much of the remainder of the historical data accepted for use in a compliant resource estimation. As Central Coast previously reported what is now a non-JORC compliant resource estimate of 20 million tonnes @ 5.5% graphite, including a zone of 6 million tonnes @ 10.0% graphite, this provides the Company with further optimism for the potential of the Golden Gate Project area. However, it must be noted that it is uncertain if further drilling will demonstrate similar correlation with previously reported historical graphite drill intersections and grades and even if such correlation is achieved, it may not provide sufficient information to allow estimation of a resource estimate in accordance with the 2012 JORC Code.

The thick graphite mineralisation intersected in both of the holes is of similar grade and is hosted in intensely hydrothermally altered (sericitic) granite. Graphite occurs in narrow veins, “clots” and commonly forms rims around xenolithic fragments. While some previous interpretations have considered the graphite to have formed from the assimilation of carbonaceous sediments within the granite during its emplacement, little evidence for this was noted in the core and a hydrothermal origin is favoured. No graphite mineralisation was observed within the Croydon Volcanics (overlying the granite) as historically reported from some previous exploration company activities.

Samples will be selected for petrological and mineralogical examination, QEMSCANS (Quantitative Evaluation of Minerals via Scanning Electron Microscope by SGS) and MLA (Mineral Liberation Analysis scans by ALS Laboratory Services), designed to determine if deleterious minerals are associated with the graphite and to determine the graphite grain size characteristics. Based on the results of these procedures, one or more composite samples will be selected for detailed metallurgical test work to determine graphite quality and potential recoveries.

The information contained in this report that relates to Exploration Results at the Golden Gate Graphite and the A2 Polymetallic Projects near Croydon, Queensland, is based on information compiled by Ken Chapple, who is an Associate Member of The Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists. Mr Chapple has been assisting the Company as a technical consultant relating to his areas of expertise and was on site participating in and overseeing both programs. Mr Chapple has sufficient experience relevant to the style of mineralisation and type of deposit involved to qualify as a Competent Person as defined in the 2012 JORC Code. Mr Chapple is an independent principal geological consultant with KCICD Pty Ltd and consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

***Forward Looking Statements:** This Report contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', "optimism", 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward looking statements. Forward-looking statements are subject to risk factors associated with the Company's business, many of which are beyond the control of the Company. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You should not place undue reliance on forward-looking statements and neither Crater Gold Mining Limited nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information.*

Directors' Report

Your Directors present their report, together with the financial statements, on the consolidated entity consisting of Crater Gold Mining Limited and the entities it controlled at the end of, or during the half year ended 31 December 2017.

Directors

The names of the Directors of Crater Gold Mining Limited in office during the half year and at the date of this report are:

S W S Chan (Non-executive Chairman)
R D Parker (Managing Director)
T M Fermanis (Executive Director)

L K K Lee (Non-executive Director)
D T Y Sun (Non-executive Director)
R Johnson (Technical Director, resigned 6 December 2017)

Principal Activities

The principal activities of Crater Gold Mining Limited (the Company) and its subsidiaries (together the Group) are the exploration, evaluation and exploitation of potential world class gold and other base metal projects. Its current focus is the Crater Mountain exploration program in Papua New Guinea (PNG), the evaluation of the vein style polymetallic (zinc-tin-copper-silver dominant) mineralisation discovered at Croydon in north Queensland. Further details of the Group's activities are included in the Review of Operation on pages 3-9 of this report.

Review of operations

The Group incurred a loss for the half year of \$2,587,817 (2016: \$8,690,350), after revenue of \$nil (2016: \$225,576).

A detailed Review of Operations is set out on pages 3 to 9 preceding the Directors' Report.

Corporate

Cancelled Rights Issues

On 24th July 2017, the Company announced an 11:2 renounceable rights issue (Rights issue) to raise approximately \$15million as part of a broader corporate transformation that would see the Company recapitalised, cleared of debt and funded for an active programme to develop its operations in PNG. The transformation also included a significant re-structure of the Company's management and a proposed renaming to Paradise Gold Mining Ltd.

The Rights Issue, which was partially and conditionally underwritten by Patersons Securities Limited (Patersons) launched on 26th July 2017 and was twice extended. At the close of the issue there had been insufficient take-up of rights by existing shareholders to trigger Patersons' underwriting obligations and, as a result, the Rights Issue was terminated. The Company at that time also advised that some of the proposed new management would not eventuate and the company name would also not change. All application funds received were refunded to applicants.

Subsequent to the terminated rights issue the Company announced that a fresh rights Issue (the 'Fresh Rights Issue') would be launched. Since that announcement it has been determined that it is not possible to launch the Fresh Rights issue in the time frame expected given the structure that was proposed.

Loan Facilities

In order to meet the Company's creditor obligations whilst a longer term financing solution was put in place, Freefire agreed to advance an unsecured, arms-length-terms loan to the Company in the amount of \$A2.0 million (the 'Freefire Interim Loan').

The Company later arranged a \$A4.0 million unsecured loan facility enabling it to continue to advance its flagship Crater Mountain gold project and its Queensland Polymetallic and Graphite projects. This was made by way of an unsecured loan facility from the Company's major shareholder, Freefire Technology Ltd ("Freefire"). The first \$A1 million in funding is available at the option of the Company, with the balance of \$A3 million requiring the consent of Freefire prior to a draw down request being executed.

Convertible Notes Redemption

During the half year the Company's 138,190 listed convertible notes trading under the ASX code CGNG expired and were fully redeemed to note holders.

Share Issue

On 29 December 2017, the Company issued 3,500,000 shares at a deemed issued price of \$0.01 to two directors in lieu of directors fees as per shareholders approval obtained at the Company's AGM on 29 November 2017.

Performance Rights Issue

Directors' Report

On 29 December 2017, the Company issued 19,033,080 performance rights to Directors and a consultant as per shareholders approval obtained at the Company's AGM on 29 November 2017. At this time the Company also issued 12,111,960 performance rights to employees and consultants under the Company's employee equity incentive plan. The terms and conditions for the Performance Rights are detailed in Appendix 3B lodged with ASX on 29 December 2017.

Purchase of drill rig for Crater Mountain Gold project:

In line with its strategy to restart drilling at its flagship Crater Mountain Gold Project, the Company entered into an agreement to acquire a drill rig to facilitate recommencement of drilling in the near term.

The company purchased an Atlas Copco Diamec 252 drill rig ("Diamec 252 Drill Rig") together with additional ancillary equipment, including: (a) a 415 volt 45 kilowatt electric over hydraulic power pack; (b) a 1,000 volt 45 kilowatt electric over hydraulic power pack; (c) an air over 22 kilowatt hydraulic power pack; (d) Bob Cat mounting accessories; (e) and feed frames and positioners, skid mounted and (f) hydraulic motors and pumps.

Company Secretary Resignation/Appointment and Resignation of Director Richard Johnson

The Company announced that Ms Andrea Betti joined Crater Gold Mining Ltd as Company Secretary, effective Monday 9th October 2017. Ms Betti is an accounting and corporate governance professional with over 20 years experience in accounting, corporate governance, finance and corporate banking. She has a Bachelor of Commerce, Graduate Diploma in Corporate Governance, Graduate Diploma in Applied Finance and Investment and a Masters of Business Administration. Ms Betti has acted as Chief Financial Officer and Company Secretary for companies in the private and public sector, as well as senior executive roles in the banking and finance industry. Mr Heath Roberts has resigned as Company Secretary, effective 9th October 2017, and the Company thanks him for his many years of service and dedication.

Mr Richard Johnson resigned as a Director of the company on the 6th of December 2017

Change of Address:

The Company changed its Registered Office address and Principal Place of Business address to:

Level 3
216 St Georges Terrace
PERTH WA 6000

Its postal address was changed to:

P.O. Box 7054
CLOISTERS SQUARE PERTH WA 6850

Annual General Meeting

All resolutions at the Company's 2017 Annual General Meeting on 29 November 2017 were passed.

Events After Reporting Date

Refer to Note 9 in the notes to the financial statements for events after reporting date.

No other matters or circumstances have arisen since the end of the half year which significantly affected or may affect the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Report

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included within this financial report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



R D Parker
Managing Director

Sydney

16 March 2018



T M Fermanis
Executive Director

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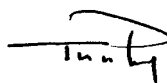
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Crater Gold Mining Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 16 March 2018

Statement of Profit or Loss and Other Comprehensive Income

For the Half Year ended 31 December 2017

	Notes	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 \$
Continuing operations			
Revenue		-	225,576
Cost of sales		-	(737,470)
Gross profit / (loss) from gold production		-	(511,894)
Profit / (loss) on disposal of fixed assets		-	7,273
Interest income		155	326
Gross income / (loss) from continuing activities		155	(504,295)
Expenses			
Administration expense		(1,348,809)	(580,087)
Corporate compliance expense		(160,196)	(72,529)
Depreciation expense		(105,481)	(102,042)
Exploration & evaluation costs		(579,883)	-
Share Based Payments		(15,879)	(115,488)
Financing expense		(377,724)	(332,922)
Write off of Exploration & Evaluation Costs		-	(20,707)
Impairment of Mining Asset		-	(6,962,280)
Loss before income tax expenses from continuing operations		(2,587,817)	(8,690,350)
Income tax expense		-	-
Loss after income tax expense for the half year		(2,587,817)	(8,690,350)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(227,468)	396,932
Total comprehensive income for the half year, net of tax		(2,815,285)	(8,293,418)
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic and diluted loss - cents per share		(0.95)	(3.34)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2017

	Notes	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		297,645	296,185
Trade and other receivables		97,928	137,307
Total current assets		395,573	433,492
Non-current assets			
Other financial assets		65,802	66,967
Exploration and evaluation	4	8,743,380	8,953,712
Plant and equipment		698,257	641,347
Total non-current assets		9,507,439	9,662,026
Total assets		9,903,012	10,095,518
LIABILITIES			
Current liabilities			
Trade and other payables		1,833,111	2,347,887
Related party payables		762,128	899,119
Interest bearing liabilities	5	10,512,041	7,334,697
Total current liabilities		13,107,280	10,581,703
Total Liabilities		13,107,280	10,581,703
Net Assets		(3,204,268)	(486,185)
EQUITY			
Contributed equity	6	61,015,655	60,934,332
Reserves		(2,254,191)	113,863
Accumulated losses		(61,965,732)	(61,534,380)
Total Equity		(3,204,268)	(486,185)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

As at 31 December 2017

	Notes	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
Consolidated					
Balance at 1 July 2017		60,934,332	113,863	(61,534,380)	(486,185)
Movement in share based payment reserve		-	15,879	-	15,879
Issue of share capital		85,000	-	-	85,000
Transaction costs		(3,677)	-	-	(3,677)
Transactions with owners		81,323	15,879	-	(97,202)
Loss after tax		-	-	(2,587,817)	(2,587,817)
Other comprehensive income					
Exchange differences on translating foreign operations		-	(227,468)	-	(227,468)
Total comprehensive income for the period		-	(227,468)	-	(227,468)
Transfer of reserves to accumulated losses	7	-	(2,156,465)	2,156,465	-
Balance at 31 December 2017		61,015,655	(2,254,191)	(61,965,732)	(3,204,268)
Consolidated					
Balance at 1 July 2016		59,089,123	615,307	(36,249,639)	23,454,791
Movement in share based payment reserve		-	115,488	-	115,488
Issue of convertible notes		2,106,423	-	-	2,106,423
Transaction costs		(160,985)	-	-	(160,985)
Transactions with owners		1,945,438	115,488	-	2,060,926
Loss after tax		-	-	(8,690,350)	(8,690,350)
Other comprehensive income					
Exchange differences on translating foreign operations		-	396,932	-	396,932
Total comprehensive income for the half year		-	396,932	(8,690,350)	(8,293,418)
Balance at 31 December 2016		61,034,561	1,127,727	(44,939,989)	17,222,299

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the Half Year ended 31 December 2017

Notes	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 \$
Cash flows from operating activities		
Receipts from customers	-	225,576
Payments to suppliers and employees	(772,120)	(1,227,310)
Interest received	155	326
Interest paid	(97,972)	(218,195)
Other – Payment to PNG tax authority	(667,699)	-
Net cash used in operating activities	(1,537,636)	(1,219,603)
Cash flows from investing activities		
Purchases of plant and equipment	(14,297)	(26,613)
Proceeds from sale of plant and equipment	-	7,273
Payments for exploration and evaluation	(1,168,155)	(1,064,810)
Payments for security deposit	-	(941)
Net cash used in investing activities	(1,182,452)	(1,085,091)
Cash flows from financing activities		
Proceeds from issue of ordinary shares and options	-	2,076,423
Share issue costs	(3,677)	(160,985)
Proceeds from borrowing	3,662,481	2,122,463
Repayment of borrowing	(916,593)	(1,618,878)
Net cash provided by financing activities	2,742,211	2,419,023
Net increase in cash held	22,123	114,329
Cash at the beginning of the half year	296,185	95,239
Effects of foreign exchange movements on cash transactions and balances	(20,663)	(38,233)
Cash at the end of the half year	297,645	171,335

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Statements

1. Basis of preparation

These financial statements for the interim half year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard 134 'Interim Financial Reporting' and the Corporations Act 2001 as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 'Interim Financial Reporting'.

These half year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made by the Company during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Change in Accounting Policy

Effective 1 July 2017, the Group has revised its accounting policy to expense all costs incurred in respect to the treatment of exploration and evaluation expenditure. In prior periods the Group would capitalise all exploration and evaluation expenditure and recognise this as an exploration and evaluation asset in the Statement of Financial Position pursuant to AASB 6. The Group has determined that it is now more appropriate to treat these items as expenditure in the Statement of Profit or Loss and other Comprehensive Income. An independent valuation of the exploration assets was undertaken in the previous period and the Group has determined it is best to hold the value of the assets at the level of the valuation until such time that new information is available which would indicate a material change to the independent valuation.

New, Revised or amending Accounting Standards and Interpretations adopted.

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. Going concern

These financial statements are prepared on a going concern basis.

The Group has incurred a net loss after tax of \$2,587,817 for the half year ended 31 December 2017 with total cash outflows from operating and investing activities of \$2,720,088. As at 31 December 2017, the Group had net current liabilities of \$12,711,707 including cash on hand of \$297,645 and net liabilities of \$3,204,268. These matters give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Notwithstanding the above, the Directors have prepared the half year financial statements on a going concern basis based on the following key factors:

- a) The Company announced on 20 November 2017 that it had arranged a new \$4m financing facility with Freefire Technology Limited. As at 31 December 2017 the company had drawn \$400,000 from the facility. After the reporting date a further \$1,000,000 of the facility had been drawn, leaving \$2,600,000 undrawn at the date of this report.
- b) The Group's key area of expenditure is the Crater Mountain Project in Papua New Guinea. The Company announced on 8 March 2018 that mining has resumed at the project. Whilst mining has only recently re-commenced, the Group anticipates that there will be production output in the near future generating positive cash flows from operations.
- c) In addition, the Group has successfully raised funds through share issues and debt funding on a number of occasions and the Directors are confident that this could be achieved should the need arise.

On this basis the Directors are of the opinion that the financial statements should be prepared on a going concern basis and the Group will be able to pay its debts as and when they fall due and payable.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

Notes to the Interim Financial Statements

3. Operating Segments

	Croydon \$	Crater Mountain \$	Intersegment eliminations / Australia \$	Consolidated \$
Half year to 31 December 2017				
Gold sales revenue	-	-	-	-
Cost of sales	-	-	-	-
Other revenue	-	-	155	155
Profit on disposal of assets	-	-	-	-
Assets written downs	-	-	-	-
Assets impaired	-	-	-	-
Other expenses	(115,836)	(2,377,986)	(94,150)	(2,587,972)
Segment profit (loss)	(115,836)	(2,377,986)	(93,995)	(2,587,817)
Segment assets	987,819	8,459,622	455,571	9,903,012
Segment liabilities	-	43,598,817	(30,491,537)	13,107,280
Half year to 31 December 2016				
Gold sales revenue	-	225,576	-	225,576
Cost of sales	-	(737,470)	-	(737,470)
Other revenue	-	-	326	326
Profit on disposal of assets	-	-	7,273	7,273
Assets written downs	-	(20,707)	-	(20,707)
Assets impaired	-	(6,981,660)	-	(6,981,660)
Other expenses	-	(110,073)	(1,073,615)	(1,183,688)
Segment profit (loss)	-	(7,624,334)	(1,066,016)	(8,690,350)
Segment assets	980,408	24,371,357	336,533	25,688,298
Segment liabilities	-	41,656,639	(33,190,640)	8,465,999

Segment information is presented using a “management approach”, i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief executive and the Board. In identifying its operating segments, management generally follows the Group’s project activities. Each of these activities is managed separately.

Description of segments

Crater Mountain

This is an advanced exploration project located in the PNG Highlands approximately 50kms southwest of Goroka.

Croydon

This project consists of two sub-projects in far North West Queensland, the Croydon Gold Project and the Croydon Polymetallic Project.

Notes to the Interim Financial Statements

	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
4. Non-Current Assets - Exploration and evaluation		
Opening net book value	8,953,712	22,664,481
Expenditure capitalised	-	1,843,909
Impairment of asset	-	(15,049,107)
Effect of movement in exchange rates	(210,332)	(505,571)
Closing net book value	<u>8,743,380</u>	<u>8,953,712</u>

5. Current Liabilities – Interest bearing liabilities

Convertible notes	-	3,415,475
Industrial and Commercial Bank of China (Asia) Limited (ICBC)	800,000	800,000
Freefire Technology Limited loan	9,712,041	3,119,222
	<u>10,512,041</u>	<u>7,334,697</u>

Freefire Technology Loan

The Company has secured a number of short-term, interest bearing loans totalling from its major shareholder, Freefire Technology Limited.

- The loan funds are to be used by the Company principally for the purpose of developing the Company's projects and for general working capital.
- Interest on the Principal Sum of \$8,864,961 is payable by the Company to Freefire at the rate of 8% per annum
- Interest on the Principal Sum of \$400,000 is payable by the Company to Freefire at the rate of 12% per annum.
- The loans are repayable by the Company to Freefire upon written demand by Freefire.

ICBC Loan Facility

On 25 August the Company secured a loan facility of up to \$800,000 from the Industrial and Commercial Bank of China (Asia) Limited ("ICBC"). The ICBC loan facility is repayable on call and is guaranteed by interests associated with the Chairman, Sam Chan. The interest rate is 3.28% per annum.

6. Contributed Equity

Equity Securities Issued		No. of ordinary shares	Total \$
For the half year ended 31 December 2017			
As at 1 July 2017		272,118,621	60,934,332
Shares issued		7,346,154	85,000
As at 31 December 2017		<u>279,464,775</u>	<u>61,019,332</u>
Movements in Ordinary Share Capital			
Date	Details	No. of shares	Value \$
Half year to 31 December 2017			
01-Jul-17	Balance 1 July - Ordinary Shares	272,118,621	60,934,332
09-Oct-17	Lennard Drilling	3,846,154	50,000
29-Dec-17	Issued to Directors in lieu of fees	3,500,000	35,000
	Less: Transaction costs arising on share issues		(3,677)
		<u>279,464,775</u>	<u>61,015,655</u>

Notes to the Interim Financial Statements

7. Reserves

	Consolidated 31 December 2017 \$	Consolidated 30 June 2017 \$
Reserves		
Share based payment reserve	238,327	2,008,406
Convertible Notes Reserve	-	340,507
Share cancellation reserve	-	30,000
Foreign currency translation reserve	(2,492,518)	(2,265,050)
	(2,254,191)	113,863
Movements		
Share-based Payments Reserve		
Balance 1 July 2017	2,008,406	1,892,918
Fair value of Employee Plan Performance Rights	15,879	115,488
Expiry of Options on 30 September 2017	(1,785,958)	-
Balance 31 December 2017	238,327	2,008,406
Convertible Note Reserve		
Balance 1 July 2017	340,507	340,507
Redemption of Notes August 2017	(340,507)	-
Balance 31 December 2017	-	340,507
Share Cancellation Reserve		
Balance 1 July 2017	30,000	30,000
Removal as relating to share cancellation in 2010	(30,000)	-
Balance 31 December 2017	-	30,000
Foreign currency translation reserve		
Balance 1 July 2017	(2,265,050)	(1,648,118)
Currency translation differences	(227,468)	(616,932)
Balance 31 December 2017	(2,492,518)	(2,265,050)

8. Contingent liabilities

The Company does not have any contingent liabilities.

9. Events After Reporting Date

PNG OPERATIONS

On the 2nd March 2018 the Company received approval from the Mineral Resources Authority (MRA) for a conditional restart of mining operations at the HGZ. Mining is now underway on the 1960 level and development work for the 1930 level has also commenced. With the approval to recommence underground operations now being given the Company will also shortly recommence drilling activities, initially from within the 1960 level.

The management of the company are looking forward to seeing the results of operations in the near future, including resumption of production of gold concentrate and drilling.

Subsequent to the half year end further personnel appointments have been made to strengthen the on-site management team with the appoint of Brett Collins as General Manager, PNG. Mr. Collins background is primarily in ore processing, security and safety. He brings a wealth of experience and will contribute to further improving the processing plant functionality and the overall recovery of gold. Mr. Jessy Robin was appointed as the Registered Mine Manager by the MRA and brings with him a wealth of underground engineering and operational experience, much of this experience having been gained operating mines in PNG.

Notes to the Interim Financial Statements

QUEENSLAND OPERATIONS

On 7 February 2018, the Company announced that it intersected thick graphite mineralisation in two diamond core holes drilled in the Golden Gate Project area at Croydon. The drilling confirmed the intersection (in terms of both intersected interval and grade) reported from near-by historical holes (25m to the NE) drilled by previous exploration company Central Coast Exploration (CCE). The drilling also confirmed the down-dip extrapolated extension (95m to the SW) drilled by CCE.

On 26 February 2018 the Company announced it had received Actab's interpretation report on the Spatiotemporal Geochemical Hydrocarbon (SGH) soil sampling program undertaken at the Company's A2 Polymetallic Project in Croydon, Queensland. From this report the Company has been able to identify high priority drill polymetallic, silver and copper targets at its A2 Polymetallic Project in Queensland. Based on these results, the Company has then applied for tenement EPM 26749 to cover possible extensions.

CORPORATE

The Company has made drawings on the Freefire Technology Loan facilities totalling \$1,000,000 to cover ongoing working capital requirements.

No other matters or circumstances have arisen since the end of the half year which significantly affected or may affect the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

The Directors of the Company declare that:

- 1) The financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - a) Giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half year ended on that date of the consolidated entity; and
 - b) Complying with the Accounting Standard *AASB134 Interim Financial Reporting*, and the Corporations Regulations 2001.
- 2) Having regard to those matters referred to in Note 2, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors and signed for and on behalf of the Directors by



R D Parker
Managing Director

16 March 2018



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
CRATER GOLD MINING LIMITED**

We have reviewed the accompanying half-year financial report of Crater Gold Mining Limited, which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Crater Gold Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Crater Gold Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Crater Gold Mining Limited is not in accordance with the *Corporations Act 2001* including:

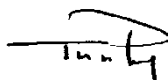
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2, which indicates that the consolidated entity incurred a net loss of \$2,587,817 and had net cash outflows from operating activities and investing activities of \$2,720,088 for the half-year ended 31 December 2017 and, as of that date, the consolidated entity had net current liabilities of \$12,711,707 and net liabilities of \$3,204,268. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 16 March 2018

Directors:	S W S Chan (Non-executive Chairman) R D Parker (Managing Director) T M Fermanis (Executive Director) L K K Lee (Non-Executive Director) D T Y Sun (Non-executive Director)
Company Secretary:	A Betti
ABN:	75 067 519 779
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Auditors:	RSM Australia Level 32, Exchange Tower 2 The Esplanade Perth WA 6000 Australia Telephone: (08) 9261 9100
ASX Listing:	Crater Gold Mining Limited shares are quoted on the Australian Securities Exchange under the code "CGN".
Website address:	www.cratergold.com.au