

3 August 2018

Mr Emerson Walker
Adviser, Listings Compliance (Perth)
Australian Securities Exchange

APPENDIX 5B QUERY

Crater Gold Mining Limited ("**Crater**", or "the **Company**") refers to your letter dated 31 July 2018.

Using the numbering in your letter, the Company's response to your questions is 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 will continue to have negative operating cash flows as it develops its projects in Papua New Guinea (PNG) and in Queensland, however it is expecting these negative cash flows to reduce in size, or potentially be generating positive operating cash flows depending on the level of income generated from mining in PNG. Although in the past the Company has produced gold and generated revenue from its High Grade Zone (HGZ) mine in PNG, gold mining ceased in December 2016 due to exhaustion of ore on the 1960 RL. Since that time the Company has received consistent financial support from its Chairman Sam Chan via his company Freefire Technology Limited ('Freefire'), with a \$4m loan being announced to the market on 20 November 2017. The Company announced on 8 March 2018 that it had resumed gold mining at Crater Mountain. The re-start costs have had a direct impact on the negative cash flows for the quarter. The Company expects to be generating revenue from gold sales from ore mined on the new development on the 1930 RL at the HGZ in the short term, however the Board is not in a position to accurately estimate when this will occur, or in what quantum, however the income from gold sales will have a positive impact on the cash position of the business. 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 noted in its Appendix 5B (section 8) that it was currently negotiating with Freefire for further funding of \$1.5m, which is expected to be sufficient to cover the expected cash outflows for the September quarter. This loan agreement has now been executed and details of the Loan were announced to the market on 2 August 2018. In addition to this capital funding, the Company is expecting that they will be able to achieve gold sales from the re-commencement of the mine operations in PNG, which we estimate will begin to provide cash inflows to the Company either late in the third quarter, or early in quarter 4. The Company is currently in the process of evaluating

further options for financing to provide both a buffer for cash requirements for the PNG operations should income from gold mining be less than what is required to sustain mining and exploration activities in PNG, and also to provide funding for further exploration activities in Queensland. The Company further understands it still has the financial support of Freefire if required.

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 for the reasons outlined in Item 2 above. The Board expects to receive funding during the next two quarters from Freefire and also to start generating revenue from mining operations in PNG therefore improving overall financial performance.

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 upon 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 if required as outlined in Item 2 above.

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



Andrea Betti
Company Secretary



31 July 2018

Ms Andrea Betti

Company Secretary
Crater Gold Mining Limited
Level 3, 216 St Georges Terrace
Perth WA 6000

By email: abetti@perth.bentleys.com.au

Dear Ms Betti

Crater Gold Mining Limited (the "Entity"): Appendix 5B Query

I refer to CGN's Appendix 5B quarterly report for the period ended 30 June 2018 lodged with ASX Market Announcements Platform on 31 July 2018 (the "Appendix 5B").

ASX notes that CGN has reported:

- negative net operating cash flows for the quarter of \$1,445,000;
- cash at the end of the quarter of \$265,000; and
- estimated cash outflows for the next quarter of \$1,480,000.

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 7:00am AWST on Monday, 6 August 2018. 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.

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152-158 St Georges Terrace
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Perth WA 6840

Customer service 13 12 79
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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 e-mail at tradinghaltspert@asx.com.au. 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 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.

Kind regards

[Sent electronically without signature]

Emerson Walker

Adviser, Listings Compliance (Perth)