

24 July 2017

Australian Securities Exchange

## INJECTION OF UP TO \$16.2M IN NEW FUNDS AND ASSOCIATED TRANSFORMATION

### HIGHLIGHTS

- **Up to \$16.2M injection of new funding via:**
  - **11 for 2 renounceable pro-rata entitlement offer (“Entitlement Offer”) at an issue price 1.0¢ per new share to raise at least \$13.0M and up to approximately \$15.0M (before costs)**
  - **Proposed conditional sale of 100% of non-core Croydon Project for \$1.2M in cash**
- **New funding will retire material debt and leave \$4.3-5.1M cash to pursue new strategy**
- **New strategy to re-invigorate physical exploration at flagship Crater Mountain Project combined with potential development of commercial gold production to partly self-fund the aggressively expanded exploration program**
- **Recognised mining industry leaders to join board and management**
- **Proposed change of name to Paradise Gold Mining Ltd**

Crater Gold Mining Limited (ASX:CGN) (“**CGN**” or the “**Company**”) is pleased to announce: (i) an eleven (11) for two (2) Entitlement Offer of up to 1,496,652,416 fully paid ordinary shares (“**New Shares**”) at an issue price of 1.0¢ per New Share to raise up to \$14,966,524 before costs; (ii) the proposed sale of 100% of its Croydon Project for \$1.2M in cash; and (iii) a series of associated initiatives to refocus the Company and accelerate the development of its flagship Crater Mountain Project in Papua New Guinea (“**PNG**”). The Entitlement Offer has a minimum raising of \$13.0M so together with the proceeds from the Croydon sale, the Company expects to receive combined proceeds of at least \$14.2M and up to \$16.2M before costs.

Chairman, Sam Chan said *“I’m very pleased about the imminent transformation of the Company to enhance performance. We have been able to attract the involvement of recognised mining industry leaders who will execute a more focused strategy to generate results from our flagship Crater Mountain Project.”* Mr Chan further added *“The Entitlement Offer and proposed sale of Croydon is expected to retire material outstanding debts and leave the company well resourced to pursue a new strategy to exploit the inherent potential of its high value flagship gold assets in PNG.”*

## ENTITLEMENT OFFER

Eligible Shareholders will be offered eleven (11) New Shares at an Issue Price of 1.0¢ per New Share for every two (2) existing Shares held on the Record Date (7:00pm AEST on 31 July 2017). Eligible Shareholders who subscribe for their Entitlement in full will (subject to availability) be able to apply for New Shares in excess of their Entitlement. Up to 1,496,652,416 New Shares will be offered under the Entitlement Offer to raise up to approximately \$15.0M before costs.

The issue price of 1.0¢ per New Share represents a discount of approximately 58% to the last closing price of CGN Shares on 17 July 2017 (being the last trading day prior to the Company entering into a trading halt ahead of this announcement) of 2.4¢ and approximately 61% to the 30-day volume weighted average price up to and including that day.

Shareholders with a registered address in Australia, New Zealand, Papua New Guinea or Hong Kong will be eligible to participate. Shareholders outside of these jurisdictions will not be permitted to participate, however, the Company will appoint a nominee to deal with the rights of these shareholders and remit the proceeds (if any) to them.

The Company's existing major shareholder and Chairman, Sam Chan, through his vehicle Freefire Technology Limited ("**Freefire**"), has provided a commitment to subscribe for 660,000,000 (ie, \$6.6M) New Shares under the Entitlement Offer comprising part of his Entitlement and has also agreed to sub-underwrite up to a further \$2.2M.

Subject to certain terms and conditions including Shareholders other than Freefire taking up entitlements to \$2.1 million, Patersons Securities Limited intends to partially underwrite the Entitlement Offer, which when combined with Freefire's commitment will see a minimum amount of \$13M raised by the Entitlement Offer. The parties are finalising the terms of a formal underwriting agreement and it is expected this will be signed prior to lodgement of the Prospectus, although there is no guarantee an underwriting agreement will be executed.

Subject to an underwriting agreement being finalised and executed, new directors and management (see below) have agreed to sub-underwrite 70,000,000 (ie, \$0.7M) New Shares.

## SALE OF CROYDON PROJECT FOR \$1.2M IN CASH

To enable CGN to focus on its flagship Crater Mountain Project in PNG, the Company has agreed to sell its Croydon Project in Queensland to Freefire for \$1.2M in cash. Under the sale agreement, Freefire will pay a \$300,000 deposit within 14-days, with the remainder of the sale price to be received in four equal instalments over the next 12-months.

The sale of the Croydon Project is subject to the satisfaction of conditions precedent including shareholder approval under section 208 of the Corporations Act and ASX Listing Rule 10.1. A notice of meeting to convene a shareholders meeting proposed to be held in mid-September 2017 will be despatched to shareholders in due course, and will include an independent expert's report on whether the transaction is fair and reasonable to non-associated shareholders.

## NEW STRATEGY

CGN's Crater Mountain Gold Project is highly prospective. It has two separate existing epithermal gold Inferred Resources (see below), which in combination host in excess of 800,000oz of gold. These Resources were established with approximately 14,500 cumulative linear metres of drilling that mainly took place in 2010-2013. At the time, the Company enjoyed a market capitalisation in the \$35-50M range. CGN got sidetracked in the last 3-4 years by making its main focus the proposed development a small-scale mining operation and taking on a debt burden to do so. During that time physical exploration activity was dramatically scaled back.

Under its new strategy, the Company aims for a transformational increase in Crater Mountain Project gold Resources via an aggressively re-invigorated exploration program.

The Company intends to purchase two drill-rigs to be permanently based at Crater Mountain and ramp drilling activity up to in excess of 10,000 cumulative linear metres per year.

Key exploration targets include:

- Increase in mineral inventory at the High-Grade Zone (“**HGZ**”) at the Nevera Prospect, which has an existing JORC Inferred Resource containing 17,100oz of gold at 11.9g/t – down dip and eastwards extensions will be targeted with the aim to expand the Resource to 60,000-100,000oz at 13-30g/t.<sup>1</sup>
- Test the South Artisanal Works (“**SAW**”) approximately 430 metres to the south of HGZ for potential as a second HGZ-style high-grade epithermal gold zone.
- Drill the approximately 300 metre area between the HGZ and 790,000oz Mixing Zone (“**MZ**”) Inferred Resource<sup>2</sup> with the potential for continuous mineralisation.
- Multiple longer drill-holes to properly test known targets for porphyry copper-gold mineralisation, starting with the area approximately 600 metres to the south of MZ and HGZ.
- First drill-testing of the three prospective non-Nevera prospects, starting with Nimi, which has a similar geological setting to Nevera and historical rock chip samples with high gold content.

Subject to metallurgical testing and detailed mine planning, development at Nevera Gold Mine (at HGZ) is likely be resumed to create a modest and sustainable commercial gold operation to partly self-fund the expanded exploration activities described above. Nevera Gold Mine, has an existing plant capable of producing 200-250oz of payable gold per month (based on existing plant equipment capacities, assuming 600 tonnes of ore processed per month with a feed grade of 18-21g/t and a processing recovery of 50-60%). Subject to conformational studies it is likely that the plant will be relocated to a lower level with the aim to complete the development of a new adit at the 1,930 level to access the highest grade N1 and L1 veins within the HGZ Resource.

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<sup>1</sup> Refer to ASX announcement dated 14 November 2016 titled “Maiden JORC Gold Resource at HGZ Project, Crater Mountain, PNG” The Company confirms it is not aware of any new information or data that materially affects the information included in that announcement, and that all material assumptions and technical parameters underpinning the estimates and targets continue to apply and have not materially changed. The Exploration Target is conceptual in nature as there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource under the JORC Code 2012. The Exploration Target is not being reported as part of any Mineral Resource.

<sup>2</sup> Refer to ASX announcement 21-12-11 Initial Resource Estimate (This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012). The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement, and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

## **RECOGNISED MINING INDUSTRY LEADERS TO JOIN BOARD AND MANAGEMENT**

Sam Chan and Richard Johnson have agreed to resign from the Company's board and three new proposed directors have agreed to join on completion of the Entitlement Offer. The three new proposed directors are:

- Alexander Molyneux, proposed Chairman – 20-years' experience in the minerals industry as an executive, director and specialist industry investment banker. Currently Non-Executive Chairman of Argosy Minerals Limited (ASX: AGY). Was Non-Executive Director of Goldrock Mines Corp. (TSX-V: GRM) from 2012 until its successful acquisition by Fortuna Silver Inc. in 2016. Currently Non-Executive Chairman of Azarga Metals Corp. (TSX-V: AZR) and cornerstone shareholder of Azarga Uranium Corp. (TSX: AZZ).
- Dorian L. ("Dusty") Nicol, proposed Non-Executive Director – Career geologist with over 40-years' experience in discovery and resource development. Worked extensively in Papua New Guinea for Esso Minerals and Rennison Gold Fields, including on Crater Mountain and Kainantu projects.
- Robert Usher, proposed Non-Executive Director – Mining engineer with more than 25-years' experience. Former Executive General Manager of PanAust Asia from 2006 to 2014. Significant gold production experience including in PNG with Placer Dome at its Porgera operation from 1993 to 1999.

Matthew O'Kane has agreed to join the Company as Chief Financial Officer on completion of the Entitlement Offer. He has an MBA and is a CPA with more than 20-years' experience as a finance professional in the automotive and minerals sectors, including former CFO roles in producing mining and exploration companies publicly listed on the ASX, TSX and HKEX.

Curtis Church joined CGN on 1<sup>st</sup> of July as PNG Country Manager to manage activities at the Crater Mountain Project site in PNG. On completion of the Entitlement Offer, he will be appointed the Company's Chief Operating Officer. Curt has 20 years' experience in mining and exploration including a variety of former operating management roles at Centerra Gold. In particular Mr Church has experience in both management of extensive physical exploration programs and mine construction in a variety of jurisdictions. One of his core capabilities is his ability to work with local communities in an inclusive manner.

Key engagement terms for Alexander Molyneux are set out in Schedule 1.

Subject to shareholder approval, it is proposed to incentivise the new and continuing directors, key managers and consultants via the issuance of 197.3M new performance rights. The performance rights will vest subject to achievement of key strategic goals including: commencement of commercial gold production at Nevera Gold Mine; an increase in resources by a minimum of 25%; and significant growth in share price. Details of the allocation of performance rights, key terms and vesting milestones are set out in Schedule 2.

## **PROPOSED CHANGE OF COMPANY NAME TO PARADISE GOLD MINING LIMITED**

Subject to shareholder approval and to represent the 'transformation' being undertaken by the Company, it is proposed the Company will change its name to Paradise Gold Mining Limited. The trading ticker PDG has been provisionally reserved with the ASX.

## SUMMARY USE OF COMBINED \$14.2-16.2M PROCEEDS FROM ENTITLEMENT OFFER AND SALE OF CROYDON PROJECT

The Company proposes to use the expected combined proceeds from the Entitlement Offer and the proposed sale of the Croydon Project as follows.

Use	Approximate amounts
Repayment of outstanding short-term and long-term loans (including the Convertible Notes due August 2017 and loan from Industrial and Commercial Bank of China and loans from Freefire) (together with accrued interest in such loans)	\$7.6M
Reduction of the current negative working capital balance (taking into account cash and net trade payables)	\$1.6-2.6M
Physical exploration and project development at the flagship Crater Mountain Project in PNG (including the acquisition of two drill rigs)	\$2.8-3.1M
Payment of the expenses of the Entitlement Offer	\$0.7-0.9M
Working capital and general corporate purposes	\$1.5-2.0M
Total	\$14.2-16.2M

Note: if the sale of Croydon Project does not proceed for any reason, then the reduced \$1.2M in combined proceeds would be reflected in a \$0.9M reduction in the amount allocated to the resumption of physical exploration and a \$0.3M reduction in the amount allocated to working capital and general corporate purposes.

### INDICATIVE TIMETABLE OF KEY EVENTS

The Company is finalising a prospectus for the Entitlement Offer which it is intending to lodge with ASIC and ASX on or about 25 July 2017. Indicatively it is anticipated that the timetable for the Entitlement Offer and the shareholder meeting will be as follows:

Event	Date
Lodge Prospectus with ASIC / ASX	Tuesday 25 July
Ex. Date	Friday 28 July
Rights trading commences	Friday 28 July
Record Date	Monday 31 July
Dispatch Prospectus to entitled shareholders	Thursday 3 August
Rights trading ends	Monday 7 August
Closing date	Monday 14 August
Notify Shortfall to ASX	Tuesday 15 August
Settlement of Shortfall	Friday 18 August
Issue Date of New Shares	Monday 21 August
Redemption Date of Convertible Notes	Tuesday 22 August
Meeting to approve resolutions	Mid September

*\* These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice, subject to the Listing Rules.*

An Appendix 3B applying for quotation of Shares offered under the Entitlement Offer follows.

For further information contact:  
 Matthew O’Kane, Proposed CFO  
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## COMPETENT PERSONS STATEMENT

### Presentation of technical data and Competent Persons review

Resource estimates contained in this announcement were previously announced in the Company's ASX news releases of:

- 21-12-11 Initial Resource Estimate (This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012). The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement, and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.
- 14-11-16 titled 'Maiden JORC Gold Resource at HGZ Project, Crater Mountain, PNG'.

Such resource estimates are subject to the relevant assumptions, qualifications and procedures described in the relevant ASX news releases.

To date, the Company has only announced estimates of Inferred Mineral Resources. Nothing in this announcement or prior announcements by the Company constitutes presentation of Mineral Reserves. As such, economic analysis cannot be applied based on the date contained.

The information contained in this announcement relating to exploration results and mineral resource estimates is based on and fairly represents information and supporting documentation prepared by Mr Dorian L. (Dusty) Nicol or prepared by appropriately qualified external technical experts and reviewed by him. Mr Nicol has agreed to join the board of the Company on completion of the Entitlement Offer (see announcement of 24 July 2016). Mr Nicol is a Fellow of The Australasian Institute of Mining and Metallurgy and has the relevant experience in relation to the mineralisation being reported upon to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Nicol consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The Company has an 'exploration target' of 'multi million ounces' for the epithermal gold resources at the Nevera Prospect at Crater Mountain Project. A targeting exercise was carried out by Mining Associates ("MA") for the Nevera prospect using a simple 10x10x10m block model informed by 5 m bench channel samples (not including rock chips) and a Nearest Neighbour ("NN") estimation technique with a limited search range. The NN method was chosen so that no averaging of the grades occurred although there is a risk that estimates can be over selective. As the initial target is highly selective narrow underground mining, this is an acceptable approach. An initial examination of the composited data shows two natural breaks in Au grade distribution. one at about 0.4 g/tAu and a second at about 10 g/tAu. MA suggests that these represent low grade and high mineralisation events respectively. The block model was informed using a 100 m spherical search so that no assumption was made of the direction and trend of mineralisation. Informing samples consisted of 2,766 5 m downhole composites and 1,479 5 m bench samples. No domain selection was used, but no blocks above the topography were estimated. Volume covered is about 700 m long, 700 m wide and 100 m to 350 m deep (variable with topography). This is certainly suitable for both selective mining and a bulk open pit. A bulk density of 2.5 t/m<sup>3</sup> was used for reporting, the grade tonnage plot using cut-off grades from 1 to 20 g/t Au was reported. The target for Nevera prospect bulk open pit mining using a cut-off grade 1 g/t Au is 24 Mt @ 2.7 g/t Au for 2Moz of contained Au. The target for the HGZ only for selective

underground mining using a cut-off grade 10g/t is 60-100koz @ 13-30 g/t. The exploration targets are conceptual in nature as there has been insufficient exploration to define them as Mineral Resources. It is uncertain if further exploration will result in the determination of a Mineral Resource under the JORC Code 2012. The exploration targets are not being reported as part of any Mineral Resource.

*No new information or data*

This announcement contains references to exploration results and Mineral Resource estimates, all of which have been cross-referenced to previous announcements made by the Company. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant announcements and in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

## SCHEDULE 1 – KEY TERMS OF ENGAGEMENT FOR ALEX MOLYNEUX

- **Term:** Subject to successful closing of the Entitlement Offer, Mr Molyneux's appointment will be effective 1 August 2017.
- **Fixed Remuneration:** US\$22,500 per month inclusive of any superannuation (if applicable).
- **Core mandate:** Mr Molyneux's core mandate will be to supervise the:
  - restructuring of the Company's capital structure;
  - re-invigoration of exploration activities at the Company's Crater Mountain Project in PNG;
  - achievement commercial gold production at the Company's Nevera Gold Mine;
  - promotion of the Company to key stakeholders and investors; and
  - prudent financial management.
- **Incentives:** subject to shareholder approval, issue of a total of 75,500,000 performance rights with the performance hurdles set out in Schedule 2
- **Termination:** either party may terminate the engagement by 3 months' notice, however, in the case of termination by the Company within 12 months following a change of control, the Company must give 6 months' notice. The Company may terminate the engagement notice if Mr Molyneux:
  - engages in serious misconduct;
  - is seriously negligent in the performance of his duties;
  - commits an indictable offence;
  - becomes permanently incapacitated, or dies.



## SCHEDULE 2 – SUMMARY OF PROPOSED PERFORMANCE RIGHTS ISSUANCE

Subject to shareholder approval the Company has agreed to issue 197,300,000 performance rights. The performance rights will convert into newly issued ordinary shares of the Company in tranches based on achievement of certain milestones over the period until 2 August 2020.

The proposed performance rights will be issued to new and continuing directors, key managers and consultants as follows:

- Alexander Molyneux: 75,500,000
- Matthew O’Kane: 52,300,000
- Curtis Church: 35,000,000
- Robert Usher: 8,500,000
- Dusty Nicol: 6,000,000
- Russ Parker: 4,000,000
- Desmond Sun: 4,000,000
- Lawrence Lee: 4,000,000
- Thomas Fermanis: 4,000,000
- John Hung: 4,000,000

Vesting (if any) of performance rights will be according to the following milestones:

- One third vesting on achievement of successful commercial gold production at Nevera Gold Mine, with successful commercial gold production defined as attaining positive operating cash flow from mining operations (ie, revenue less: direct variable cash mining and processing costs; 50% of fixed overhead costs incurred at Nevera Gold Mine; 50% of the COO’s employment expense; and the cost of any landowner compensation payments that relate to mining activities) for three consecutive months.
- One sixth vesting on expansion of the Crater Mountain Project total Resource (ie, adding all categories of Measured, Indicated and Inferred together) to 1,112,500 contained ounces of gold or more.
- One sixth vesting if at any time the share price remains at or above A\$0.020 per share for 20 consecutive trading days with an average daily trading liquidity for those trading days at or above A\$20,000.
- One sixth vesting if at any time the share price remains at or above A\$0.030 per share for 20 consecutive trading days with an average daily trading liquidity for those trading days at or above A\$20,000.
- One sixth vesting if at any time the share price remains at or above A\$0.040 per share for 20 consecutive trading days with an average daily trading liquidity for those trading days at or above A\$20,000.