



Crater Gold Mining Limited

ACN 067 519 779

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT TO SHAREHOLDERS PROXY FORM

Date of Meeting: 17 January 2019
Time of Meeting: 11.00AM WST
Place of Meeting: CONSILIUM CORPORATE, LEVEL 2, 22 MOUNT ST, PERTH WA 6000

This Notice of Meeting and accompanying Independent Expert's Report (which considers the proposed transaction the subject of Resolution 1 to be fair and reasonable to non-associated shareholders) should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+ 61 8) 6188 8181.

CONTENTS PAGE

Notice of General Meeting (setting out the proposed Resolutions)	4
Explanatory Statement (explaining the proposed Resolutions)	7
Glossary	18
Annexure A – Terms and Conditions for Performance Rights	19
Annexure B – Valuation of Performance Rights	22
Annexure C – Independent Experts Report – RSM Australia	23
Proxy Form	enclosed

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Crater Gold Mining Limited to which this Notice of General Meeting relates will be held at the offices of Consilium Corporate, Level 2, 22 Mount Street, Perth WA on Thursday 17 January 2019 at 11:00am WST.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form enclosed and return it by the time and in accordance with the instructions set out on the Proxy Form. All Proxy Forms must be received no later than 11:00am WST on Thursday 17 January 2109.

Proxy Forms received later than this time will be invalid.

In accordance with section 249L of the Corporations Act, Members are advised that:

- each Member has a right to appoint a proxy;
- the proxy need not be a Member of the Company;
- a Member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise, if the Member appoints 2 proxies and the appointment does not specify the proportion or number of the Member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes;
- Members and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:
 - if proxy holders vote, they must cast all directed proxies as directed; and
 - any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Members and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution — the proxy must not vote on a show of hands;
- if the proxy is the chair of the meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair of the meeting - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of a company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Crater Gold Mining Limited

ACN 067 519 779

Notice of General Meeting

Notice is given that the General Meeting of Shareholders of Crater Gold Mining Limited ACN 067 519 779 will be held at Consilium Corporate Pty Ltd, Level 2, 22 Mount Street, Perth, Western Australia, 6000 on Thursday 17 January 2019 at 11.00am WST for the purpose of transacting the following business referred to in this Notice of General Meeting. The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 4:00pm WST on 15 January 2019.

The Explanatory Statement to this Notice of Meeting and the Independent Expert's Report provide additional information on matters to be considered at the General Meeting. The Explanatory Statement and Independent Expert's Report form part of this Notice of Meeting. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1 RESOLUTION 1 – APPROVAL OF SHARES TO FREEFIRE AND HSBC ON BEHALF OF MR SAM CHAN UNDER THE RIGHTS ISSUE

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“ That for the purposes of Item 7 Section 611 of the Corporations Act, and for all other purposes approval be given for the issue of a total of 880,472,610 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to Freefire and for the issue of a total 3,102,000 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to HSBC on behalf of Mr Sam Chan pursuant to them each taking up their entitlements under the Renounceable Rights Issue announced on 12 December 2018 (the “Offer”) the result of which assuming they were the only subscribers under the Offer their respective relevant interests in ordinary shares in the Company and their respective voting power would increase from 57.28% and 57.48% to 89.47% and 89.78%.”

Voting Exclusion Statement:

As required by the ASX Listing Rules, the Company will disregard any votes cast in favour of this Resolution by:

- the Freefire or HSBC on behalf of Mr Sam Chan (the Subscribers); and
- any associate (as defined in the ASX Listing Rules) of each of the Subscribers

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2 RESOLUTION 2 – APPROVAL TO ALTER VESTING CONDITIONS _ PERFORMANCE RIGHTS

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That the references to “for 20 consecutive trading days with an average daily trading liquidity for those trading days at or above \$A20,000” that are contained in the vesting conditions of the Class C Performance Rights, Class D Performance Rights and Class E Performance Rights be deleted and replaced with the following “for 20 consecutive trading days with an average daily trading liquidity for those trading days at or above \$A5,000”.

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by any holder of Class C Performance Rights, Class D Performance Rights and Class E Performance Rights (or their nominee) and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - i) does not specify the way the proxy is to vote on this Resolution; and
 - ii) expressly authorises the Chair to exercise the proxy even though this resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3 RESOLUTION 3- GRANT OF PERFORMANCE RIGHTS TO MR RUSS PARKER

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, subject to resolutions 1 and 2 being passed, for the purposes of ASX Listing Rule 10.11 and all other purposes, approval is given for the Directors to issue up to 33,768,024 Performance Rights to Mr Russ Parker or his nominee, on the terms and conditions set out in the Explanatory Statement”.

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by Russ Parker (or his nominee) and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - iii) does not specify the way the proxy is to vote on this Resolution; and
 - iv) expressly authorises the Chair to exercise the proxy even though this resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

4 RESOLUTION 4 – GRANT OF PERFORMANCE RIGHTS TO MR THOMAS FERMANIS

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That subject to resolutions 1 and 2 being passed, for the purposes of ASX Listing Rule 10.11 and all other purposes approval is given for the Directors to issue up to 33,768,024 Performance Rights to Mr Thomas Fermanis or his nominee, on the terms and conditions set out in the Explanatory Statement”.

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by Thomas Fermanis (or his nominee) and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - i) does not specify the way the proxy is to vote on this Resolution; and
 - ii) expressly authorises the Chair to exercise the proxy even though this resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5 RESOLUTION 5 – GRANT OF PERFORMANCE RIGHTS TO MR LAWRENCE LEE

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, subject to resolutions 1 and 2 being passed, for the purposes of ASX Listing Rule 10.11 and all other purposes approval is given for the Directors to issue up to 14,472,010 Performance Rights to Mr Lawrence Lee or his nominee, on the terms and conditions set out in the Exploration Statement”.

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by Lawrence Lee (or his nominee) and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or

- (b) the voter is the Chair and the appointment of the Chair as proxy:
- i) does not specify the way the proxy is to vote on this Resolution; and
 - ii) expressly authorises the Chair to exercise the proxy even though this resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

6 RESOLUTION 6 – GRANT OF PERFORMANCE RIGHTS TO MR DESMOND SUN

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, subject to resolutions 1 and 2 being passed, for the purposes of ASX Listing Rule 10.11 and all other purposes approval is given for the Directors to issue up to 14,472,010 Performance Rights to Mr Desmond Sun or his nominee, on the terms and conditions set out in the Exploration Statement”.

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by Desmond Sun (or his nominee) and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - i) does not specify the way the proxy is to vote on this Resolution; and
 - ii) expressly authorises the Chair to exercise the proxy even though this resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

7 RESOLUTION 7 – GRANT OF PERFORMANCE RIGHTS TO MR JOHN HUNG

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

“That, subject to resolutions 1 and 2 being passed, for the purposes of ASX Listing Rule 7.1 and all other purposes approval is given to issue up to 9,648,007 Performance Rights to Mr John Hung or his nominee, on the terms and conditions set out in the Exploration Statement”.

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by John Hung, any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed; and any associates of this person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

By order of the Board

Ms Andrea Betti
Company Secretary
Crater Gold Mining Ltd
Dated 6 December 2018

Crater Gold Mining Limited
ACN 067 519 779

Explanatory Statement

This Explanatory Statement and accompanying Independent Expert's Report has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting to be held at Consilium Corporate, Level 2, 22 Mount Street, Perth WA on Thursday, 17 January 2018 at 11:00am WST.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions contained in the Notice of Meeting.

Where the Chair is appointed as proxy for a Shareholder entitled to vote, the Chair will (where authorised) vote all undirected proxies in favour of all of the Resolutions to be considered at the Meeting.

1. RESOLUTION 1 - APPROVAL OF SHARES TO FREEFIRE AND HSBC ON BEHALF OF MR SAM CHAN UNDER THE RIGHTS ISSUE

1.1 Background

On 12 December 2018 the Company announced an intention to undertake an 11:2 Renounceable Rights Issue Offer (Offer) to raise approximately \$23.055 million.

The first resolution deals with the issue of up to a total of 880,472,610 new Shares to Freefire and 3,102,000 new Shares to HSBC on behalf of Mr Sam Chan at \$0.015 per Share, to raise a total of \$ 13.254 million pursuant to both parties exercising their entitlements under the Offer.

Mr Chan is the sole director and shareholder of Freefire.

Freefire currently holds 160,085,929 Shares in the Company representing 57.28% of the Shares in the Company and Mr Chan has an interest in 564,000 Shares in the Company held through HSBC Custody Nominees (Australia) Limited (HSBC) which gives Mr Chan a relevant interest in 57.48% of the Shares in the Company.

Assuming full subscription of the Offer the maximum percentage relevant interest Mr Chan and Freefire could have on completion of the Offer is 57.48%, and the maximum percentage Freefire will have in Shares upon completion of the Offer is 57.28%. Freefire and Mr Chan have indicated to the Company that they will take up their full entitlements under the Offer.

Freefire is currently owed in excess \$15 million by the Company. Of this \$13,253,619 will be repaid on completion of the Offer. The balance of the loan, approximately \$2.75 million will remain outstanding on the same terms except the loan will be extended for 3 years and be repayable on the third anniversary of the close of the Offer. The amount being repaid represents the amount to be subscribed for by Freefire and Mr Chan.

In the event Shareholder approval is not obtained the Offer will not proceed and the debt to Freefire will remain outstanding on the current terms.

The Board has considered various funding arrangements but has been unable to secure third party funding on acceptable terms or due to various regulatory issues proceed with other proposals on acceptable terms. For example, the recent proposal to convert Freefire debt into redeemable convertible preference shares became too complex following regulatory review and proposed revised terms for the redeemable convertible preference shares could not be agreed with Freefire. As such given the Company's debt situation and ongoing need for capital the Board considers the Offer to be the best solution in the circumstances.

The Offer is a renounceable rights issue of 11 new Share for every 2 existing Shares held by each Shareholder. The Offer is priced at 1.5 cents for every new Share. Shareholders will be able to subscribe for new Shares in addition to their entitlements under a shortfall offer. Freefire and Mr Chan will only subscribe for their entitlements and not participate in the shortfall offer. In the event the Offer is not fully subscribed the Board will seek to place any Shares not taken up under the Offer at 1.5 cents within three months of the close of the Offer.

1.2 Corporations Act – Section 611

In respect of Resolution 1, Section 606(1) of the Corporations Act prohibits the acquisition of relevant interests in a company's voting shares by a person who has together with their associates a relevant interest in more than 20% of a company's voting shares unless the acquisition falls within one of the exemptions set out in Section 611 of the Corporations Act.

Despite other exemptions in Section 611 of the Corporation Act being potentially available, given nature of the Offer and the extent of the possible increase in the control of the Company by Freefire and Mr Chan the Company has decided to seek Shareholder approval for pursuant to Section 611 Item 7 of the Corporations Act.

Accordingly if Resolution 1 is not passed the Rights Issue Offer will not proceed.

The Company notes in respect of Resolutions 1 that the issue of Shares to Freefire and HSBC on behalf of Mr Chan pursuant to the Offer would not require Shareholder approval under the ASX Listing Rules.

The following additional information is provided in respect of Resolution 1:

- (a) The Shares to be issued pursuant to Resolution 1 shall be issued to Freefire 880,472,610 and to HSBC on behalf of Mr Chan 3,102,000 (who holds Shares for Mr Sam Chan personally) (the "Subscribers").
- (b) The maximum numbers of Shares that may be issued to the Subscribers is 883,574,610 being their full entitlements under the Offer.
- (c) The Company will issue the Shares as soon as practical after the Meeting but in any event not later than 15 days after the Close of the Offer after the date of the Meeting. The Offer is scheduled to close on 7 February 2019.
- (d) Mr Chan is a director of the Company and as such he and Freefire are related parties to the Company and Mr Chan has an interest in the proposed transaction.
- (e) The Shares will be issued for cash consideration of A\$0.015 each, which is the Offer price. The Shares will be fully paid ordinary shares and are subject to the same rights and obligations and rank equally with all other Shares in the capital of the Company.
- (f) The Offer seeks to raise up to approximately \$23.056 million of which the Shares to be issued to the Subscribers will raise approximately \$13.254 million. The funds raised under the Rights Issue Offer will be used to reduce debt and to increase working capital. The table below shows the proposed use of funds in various scenarios of Shareholder participation in the Offer by Shareholders other than Freefire and HSBC on behalf of Mr Chan. The final use of funds will be determined following the close of the Offer and will depend upon the amount raised. As such the Board reserves the right to determine the final use of funds;

Description	Use of funds (Fully subscribed)		Use of funds (25% subscribed non Freefire / Mr Chan)	
	(\$)	% of proceeds	(\$)	% of proceeds
Repayment of Freefire Loans (including interest)	13,254,000	57.5%	13,254,000	84.4%
Repayment of ICBC Facility	800,000	3.5%	0	0%
Net Trade and other payables	1,100,000	4.8%	0	0%
Crater Mountain Project Exploration and development	2,000,000	8.7%	850,000	5.4%
Croydon exploration resumed	750,000	3.3%	500,000	3.2%
General working capital and administrative expenses	1,200,000	5.2%	1,000,000	6.4%
Expenses of the Offer	104,000	0.5%	101,000	0.6%
Funding reserved for further exploration/working capital	3,836,000	16.7%	0	0%
TOTAL	23,056,000	100.0%	15,705,000	100.0%

Note: In the event that only Freefire and HSBC on behalf of Mr Chan subscribe for the Offer, only the debt to Freefire as specified in the above table will be repaid and the Company will not be able to recover the expenses of the Offer.

- (g) Upon the issue of the Shares, the minimum entitlement of Freefire and Sam Chan would be 57.28% and 57.48% respectively assuming full subscription under the Offer. The maximum extent of voting power of the Freefire and Mr Sam Chan would be 89.76% and 89.78% respectively assuming the Subscribers were the only ones to subscribe under the Offer. The table below sets out the potential relevant interests of each of Freefire and Mr Chan in various scenarios of participation in the Offer by Shareholder who are not related to either Freefire or Mr Chan:

Level of Participation	Relevant Interest of Freefire %	Relevant Interest of Sam Chan %
100%	57.28	57.48
75%	62.94	63.17
50%	69.85	70.09
25%	78.45	78.73
10%	84.71	85.01
0%	89.47	89.78

- (h) Both Mr Chan and Freefire currently have the ability to unilaterally (subject to any voting restrictions imposed under the Corporations Act or the ASX Listing Rules) pass ordinary resolutions at a general meeting, such as resolutions to appoint or remove directors. As such they have the ability to control the board of directors and potentially control or influence the strategic direction of the Company. Given their level of interests there is currently no potential for a successful takeover by a third party without their support.
- (i) Should Mr Chan and Freefire each move as a result of the Offer to hold relevant interests in over 75% of the voting shares their control over the Company will

increase in that they will in addition to being able to pass ordinary resolutions, unilaterally have the ability (subject to any voting restrictions imposed under the Corporations Act or the ASX Listing Rules) to pass special resolutions, such as resolutions to amend the constitution, approve financial assistance, vary or cancel or vary share rights, or to approve a winding up of the Company.

- (j) If the shareholdings of Mr Chan and Freefire increase as a result of the Offer, particularly if their holdings increase to above 75%, there may be adverse impacts upon the liquidity of the Company's shares and this may impact the price at which shareholders may be able to dispose of their shares.
- (k) Under Item 9 of section 611 of the Corporations Act in certain circumstances a shareholder can acquire up to 3% of a company's shares every 6 months and not breach the takeovers provisions set out in Chapter 6 of the Corporations Act (the "Creep Rule").

If Freefire and Sam Chan were to avail themselves of the Creep Rule it is therefore possible (assuming they were the only subscribers under the Offer) that 6 months after the close of the Offer that they could acquire an additional 3% of the Shares in the Company and as a result have a relevant interest in over 90% of the Shares in the Company. How quickly they could achieve a relevant interest in over 90% of the Company's Shares will depend upon the level of Shareholder participation under the Offer.

A shareholder with over 90% of the shares in a company can move to compulsorily acquire the remaining shares in the Company.

At this time neither Freefire nor Mr Chan intend to move to avail themselves of the Creep Rule or to seek to obtain a relevant interest in over 90% of the Shares in the Company and compulsorily acquire the remaining Shares in the Company. Their current intention is that the Company remain as a listed company on the Australian Securities Exchange.

- (l) Upon the issue of the Shares the maximum increase in the voting power of each of the associates of the Subscribers that would result from the acquisition would be nil.
- (m) Upon the issue of the Shares the voting power of each of the associates of the Subscribers would be nil%.
- (n) The reasons for the proposed transaction are to raise additional capital to substantially reduce debt and to increase working capital. If the Subscribers are the only Subscribers all funds raised will be used to reduce debt due to Freefire. No funds raised from Shareholders who are not related to either Freefire or Mr Chan will be used to reduce debt due to Freefire.
- (o) The proposed acquisitions of Shares by Freefire and HSBC on behalf of Mr Chan which is the subject of Resolution 1 will occur through them subscribing under the Offer which is due to close on 7 February 2019.
- (p) In the event the Offer proceeds and the relevant interests of the Subscribers increases it is their intention that other than the reduction of debt that no other changes will occur in the operations of the Company; they do not currently intend to subscribe for additional equity in the Company; they do not intend to change the employment arrangements of any employee of the Company; no assets will be transferred to the Subscribers or any of their associates; and they have no intentions in relation to the redeployment of assets of the Company.

Additionally the Subscribers have no intention to change the financial or dividend distribution policies of the Company and nor do they propose that any changes to the Board of Directors occur.

1.3 Chapter 2E of Corporations Act and ASX Listing Rule 10.11

Section 208 of the Corporations Act states that a public company cannot give a financial benefit (including an issue of shares) to a related party of the company unless one of the exceptions set out in section 210 to 216 of the Corporations Act applies, or the holders of ordinary securities have approved the giving of the financial benefit to the related party in a general meeting. Section 215 provides an exception that if the benefit is given to the related party in their capacity as a member of the Company and giving the benefit does not discriminate unfairly against the other members of the Company. This exception applies to the Shares being issued under Resolution 1 to Freefire and its associates under the Rights Issue Offer.

In addition, Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies. Exception 1 covers securities issued under a pro rata issue. Therefore it is the view of the Board that approval under Listing Rule 10.11 is not required.

1.4 Independent Expert's Report

The Independent Expert's Report by RSM Corporate Australia Pty Ltd (RSM) which accompanies this Explanatory Statement has been commissioned to determine if the issue of Shares to Freefire and HSBC on behalf of Mr Chan under the Offer is fair and reasonable in the circumstances of the Company.

Shareholders should carefully consider the Independent Expert's Report prepared by the Independent Expert accompanying the Explanatory Statement as Annexure C.

The Independent Expert's Report provides an independent examination of the issue of Shares to Sam Chan and his associated entities (including Freefire) under the Offer to enable non-associated Shareholders to assess the merits and to decide whether to approve the Resolutions.

The Independent Expert has determined that the proposed transactions outlined in Resolution 1 is **FAIR AND REASONABLE** to Shareholders not associated with Sam Chan and Freefire.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

Reference is also made to the Technical Valuation Reports prepared by SRK Consulting Pty Ltd for the Croydon Project in Queensland and Mining Associates Pty Ltd for the Crater Mountain Project in Papua New Guinea (together the "**Technical Experts**") which are included as part of Annexure C.

Other than as set out in the Explanatory Statement, there is no further information which the Shareholders would reasonably require in order to decide whether or not it is in the Company's best interests to pass Resolution 1.

A voting exclusion statement in respect of Resolution 1 is set out in the Notice of Meeting.

Resolution 1 is an Ordinary Resolution.

1.5 Directors Recommendation

Each of the Directors (other than Sam Chan who has an interest in the proposed transaction and as such makes no recommendation) recommends that Shareholders entitled to vote, vote in favour of the proposal in Resolution 1.

2. RESOLUTION 2 - APPROVAL TO ALTER VESTING CONDITIONS _ PERFORMANCE RIGHTS

2.1 Overview

Pursuant to Clause 2 (l) of the Terms and Conditions of Directors Performance Rights which are set out in Annexure "A", the Board with Shareholder approval may by notice to the Holder reduce or waive the vesting conditions attaching to Shares in whole or part at any time and in any particular case.

When the Class C, Class D and Class E Performance Rights were first issued, they had a condition that the volume of shares that must be traded at the relevant price equated to A\$20,000 per day for 20 consecutive trading days. While the share price component of the conditions on some of these three classes of Performance Rights have been met from time to time since the trading volume requirement has not been met ever and as such the rights do not act an incentive as originally intended.

It is therefore proposed that the references to "*for 20 consecutive trading days with an average daily trading liquidity for those trading days at or above \$A20,000*" that are contained in the vesting conditions of the Class C Performance Rights, Class D Performance Rights and Class E Performance Rights be deleted and replaced with the following "*for 20 consecutive trading days with an average daily trading liquidity for those trading days at or above \$A5,000*" in order to incentivise Directors and management to a greater degree.

2.2. Details

As at the date of this Notice of Meeting, there are 6,200,170 Class C Performance Rights, 6,200,170 D Performance Rights and 6,200,170 Class D Performance Rights held by Directors and management.

The change of vesting conditions will reduce the volume of shares that need to be traded at the prices relating to each class (2 cents, 3 cents and 4 cents respectively) reduced from A\$20,000 per day for 20 consecutive trading days to A\$5,000 for 20 consecutive trading days.

Since the Performance Rights were first issued the level of A\$20,000 worth of trades has occurred on 2 trading days in total and the maximum number of days of consecutive trading at that level was 1 day.

By comparison since the Performance Rights were first issued the level of A\$5,000 worth of trades has occurred on 17 trading days in total and the maximum number of days of consecutive trading at that level was 2 days. During this time the maximum number of consecutive days the shares have been traded at 2 cents was 7 days and at 3 cents was 1 day. The Shares have never traded at 4 cents since the Performance Rights were issued.

As such it is extremely unlikely that at a volume of A\$20,000 per day any of the rights will vest and as such are unlikely to act as an incentive to the Directors and Management while reducing the level to A\$5,000 a day while still a substantial hurdle given current circumstances is more likely to do so particularly if the Company is successful in reducing capital and expanding exploration and mining activities at Crater Mountain and the Croydon Projects.

3. RESOLUTIONS 3 TO 6 - GRANT OF PERFORMANCE RIGHTS TO DIRECTORS

3.1 Overview

The Company is proposing to issue Performance Rights to Directors up to the numbers set out in the table below:

Director	Class A	Class B	Class C	Class D	Class E	Class F	Total
Russ Parker	9,648,009	4,824,003	4,824,003	4,824,003	4,824,003	4,824,003	33,768,024
Thomas Fermanis	9,648,009	4,824,003	4,824,003	4,824,003	4,824,003	4,824,003	33,768,024
Lawrence Lee	4,134,860	2,067,430	2,067,430	2,067,430	2,067,430	2,067,430	14,472,010
Desmond Sun	4,134,860	2,067,430	2,067,430	2,067,430	2,067,430	2,067,430	14,472,010

The purpose of the proposed issue of the Performance Rights to the Directors is to compensate them for the dilutionary impact on existing Performance Rights held by them that will occur if the Offer proceeds. Hence if Resolution 1 is not passed, no additional Performance Rights will be issued.

The Board will consider the exact number to be issued dependent upon the extent to which the Offer is subscribed.

Assuming all of the Performance Rights are issued they will if exercised have a dilutionary impact on the Company's share capital. The dilutionary impact if all Performance Rights to be issued to the Directors are exercised on the capital of the Company following closure of the Offer is shown in the table below:

	Shares on Issue if only Freefire and Sam Chan acquire under Offer	Shares on Issue if Offer Fully Subscribed	Fully Diluted Share Capital* if only Freefire and Sam Chan acquire under Offer	Fully Diluted Share Capital* if Offer Fully Subscribed
No Performance Rights Exercised	1,163,039.385	1,816,521,038	1,222,840,405	1,876,322,058
% impact	Nil	Nil	Nil	Nil
All Performance Rights Exercised	1,259,519,463	1,913,001,106	1,319,320,473	1,972,802,126
% impact	7.66%	5.04%	7.31%	4.89%

*Fully diluted share capital consists of Shares on issue and assumes all Options and Performance Rights existing as at the date of this Notice of Meeting are exercised and excludes any additional Performance Rights or Options that may be issued.

Each Performance Right is a right to acquire a Share subject to the satisfaction of specified performance criteria within the performance period. The performance period for the Performance Rights is from grant until 31 January 2022, and the performance criteria for the Performance Rights are as follows:

- (a) Class A Performance Rights – achievement of successful commercial gold production at the Crater Mountain Project, 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 the Nevera Gold Mine; 50% of the Chief Operating Officer's employment expense, and the cost of any landowner compensation payments that relate to mining activities) for three consecutive months.
- (b) Class B Performance Rights – On expansion of the Crater Mountain Project total Resources (ie, adding all categories of Measured, Indicated and Inferred together) to 1,112,500 contained ounces of gold or more, with a cut-off grade of 0.5g/t AU.
- (c) Class C Performance Rights – 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\$5,000.
- (d) Class D Performance Rights – 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\$5,000.

- (e) Class E Performance Rights – 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\$5,000.
- (f) Class F Performance Rights
- the achievement of a 20m+ drill intersection averaging an accredited laboratory assay of 5% Zn, or Zn with a polymetallic combination of Zn, Cu, Pb, Ag, Sn metal values that give a 5% Zn equivalent. In compliance with clause 50 of the 2012 JORC Code, each equivalent metal value to be determined by calculation of the metal assay x the London metal price for that day after applying a discount of 1,000 ppm for recovery of each metal Zn, Cu, Pb and Sn and after a discount of 100 ppm for Ag; or
 - the achievement of a 20m+ drill intersection averaging an accredited laboratory assay of 3.0 g/t Au, or Au with a polymetallic combination of Zn, Cu, Pb, Ag, Sn metal values that give a 3.0 g/t Au equivalent. In compliance with clause 50 of the 2012 JORC Code, each equivalent metal value to be determined by calculation of the metal assay x the London metal price for that day after applying a discount of 1,000 ppm for recovery of each metal Zn, Cu, Pb and Sn and after a discount of 100 ppm for Ag.

The Board may, with shareholder approval by notice to the holder of Performance Rights reduce or waive the vesting conditions attaching to Shares in whole or part at any time and in any particular case.

The Company seeks shareholder approval for the issue of:

- i. Up to 33,768,024 Performance Rights to Russ Parker
- ii. Up to 33,768,024 Performance Rights to Thomas Fermanis
- iii. Up to 14,472,010 Performance Rights to Lawrence Lee
- iv. Up to 14,472,010 Performance Rights to Desmond Sun

Therefore, the Company has agreed, subject to obtaining Shareholder approval, to issue Performance Rights (**Related party Performance Rights**), to the Directors up to the numbers and as detailed above, who are related parties of the Company by virtue of being Directors of the Company (together the **Related Parties**).

3.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue and allotment of the Related Party Performance Rights constitutes the giving a financial benefit and as described above, Mr Russ Parker, Mr Thomas Fermanis, Mr Lawrence Lee and Mr Desmond Sun are all related parties of the Company.

The Directors (other than the director for which each individual resolution applies, who has a material personal interest in that resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue and allotment of Related Party Performance Rights because the Related Party Performance Rights being issued to each of the Directors are considered reasonable remuneration in the circumstances and were negotiated on an arms' length basis and on terms that are considered to be reasonable in the circumstances. Furthermore, taking into account the fact the Company is at its early stages of development and has financial restrictions on it, the grant of Performance Rights represents a cost-effective way for the Company to remunerate the current and proposed to non-executive Directors, as opposed to cash

remuneration. Further, the grant of Performance Rights enables the Company to attract and retain suitably qualified non-executive directors.

3.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also required Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is being sought under ASX Listing Rule 10.11 for the issue and allotment of these Related Party Performance Rights to the Related Parties.

3.4 Shareholder Approval and technical information required by ASX Listing Rule 10.13

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13; the following information is provided in relation the proposed grant of the Related Party Performance Rights:

- (a)** The Related Parties are:
 - (i) Mr Russ Parker, who is related party of the Company by virtue of being a Director for the Company; and
 - (ii) Mr Thomas Fermanis, who is related party of the Company by virtue of being a Director for the Company; and
 - (iii) Mr Lawrence Lee, who is related party of the Company by virtue of being a Director for the Company; and
 - (iv) Mr Desmond Sun, who is related party of the Company by virtue of being a Director for the Company;
- (b)** the maximum number of Related Party Performance Rights (being the nature of the financial benefit being provide) to be granted to the Related Parties is:
 - (i) 33,768,024 Performance Rights to Russ Parker;
 - (ii) 33,768,024 Performance Rights to Thomas Fermanis;
 - (iii) 14,472,010 Performance Rights to Lawrence Lee;
 - (iv) 14,472,010 Performance Rights to Desmond Sun;
- (c)** the Related Party Performance Rights will be issued and allotted related parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules and it is anticipated the Related Party Performance Rights will be issued on one date;
- (d)** the Related Party Performance Rights will be issued for nil cash consideration, and accordingly no funds will be raised;
- (e)** the terms and conditions for the Related Party Performance Rights are set out in the Annexure A;
- (f)** the value of the Related Party Performance Rights and the pricing methodology is set out in Annexure B;
- (g)** the primary purpose of the grant of the Related Party Performance Rights is to provide a performance linked incentive component in the remuneration package for the related party Directors to motivate and reward them in their performance in their roles within the Company and to align the interests of the related party Directors to that of the Company and Shareholders;

- (h) upon achievement of the vesting criteria, the Related Party Performance Rights will automatically convert into fully paid ordinary Shares in the Company and these shares will rank equally and have the same terms and conditions of existing fully paid ordinary shares on issue.

3.5 Directors Recommendation

The Directors, excluding Mr Parker, recommend that members vote in favour of Resolution 3.

The Directors, excluding Mr Fermanis, recommend that members vote in favour of Resolution 4.

The Directors, excluding Mr Lee, recommend that members vote in favour of Resolution 5.

The Directors, excluding Mr Sun, recommend that members vote in favour of Resolution 6.

3.6 ASX Listing Rule 7.1

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Performance Rights to the related parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Performance Rights to the related parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1

4. RESOLUTION 7– ISSUE OF PERFORMANCE RIGHTS TO JOHN HUNG

4.1 Overview

John Hung has provided (and will continued to provide) various advisory services to the Company. As such, the Board has resolved to issue Mr Hung up to 9,648,007 Performance Rights as detailed in the explanatory section to Resolutions 3 to 6. The number that will be issued will be determined following closure of the Offer and the Directors in making a determination will consider the extent to which the Offer is subscribed. As Mr Hung does not fall into the definition of eligible employee under the Plan, the Performance Rights will not be issued under the Plan but the Performance Rights shall have the same terms and conditions as if they were issued under the Plan. Details of the performance conditions and performance period attaching to the Performance Rights to be granted to Mr Hung are set out in the explanatory section to Resolutions 3 to 6. The Company is proposing to issue Performance Rights to Mr Hung as follows:

	Class A	Class B	Class C	Class D	Class E	Class F	Total
John Hung	2,756,572	1,378,287	1,378,287	1,378,287	1,378,287	1,378,287	9,648,007

Listing Rule 7.1 broadly provides that in any 12 month period, a company can issue equity securities up to 15% of its issued capital without shareholder approval. The Company is seeking Shareholder approval for the issue of performance Rights to Mr Hung so that it can preserve its 15% placement capacity for other purposes, such as raising capital.

4.2 Listing Rule 7.3

The following information in relation to the Shares to be issued is provided to Shareholders for the purposes of Listing Rule 7.3:

- (a) The maximum number of Performance Rights the Company can issue is 9,648,007;
- (b) The Company will issue the Performance Rights no later than three months after the date of the meeting unless otherwise extended by way of ASX granting a waiver to the listing Rules;
- (c) No issue price will be payable for the grant of the Performance Rights;
- (d) The Performance Rights will be issued to Mr Hung or his nominee. Mr Hung is not a related party of the Company;

- (e) As Mr Hung does not fall into the definition of eligible employee under the Plan, the Performance Rights will not be issued under the Plan but the Performance Rights shall have the same terms and conditions as if they were issued under the Plan. Details of the performance conditions and performance period attaching to the Performance Rights to be granted to Mr Hung are set out in the explanatory section to Resolutions 3 to 6;
- (f) No funds will be raised form the issue of the Performance Rights; and
- (g) The Performance Rights Shares will be issued on one date.

4.3 Directors Recommendation

The Directors recommend that members vote in favour of Resolution 7.

ENQUIRIES

Shareholders may contact the Company Secretary on (+ 61 8) 6188 8181 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in sections 12 and 16 of the Corporations Act. Section 12 is to be applied as if paragraph 12(1)(a) included a reference to the Listing Rules and on the basis that the Company is the “designated body” for the purposes of that section. A related party of a director or officer of the Company or of a Child Entity of the Company is to be taken to be an associate of the director or officer unless the contrary is established.

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the Directors.

Chair or Chairman means the individual elected to chair any meeting of the Company from time to time.

Child Entity has the meaning given to that term in the Listing Rules.

Closely Related Party has the meaning given to that term in the Corporations Act.

Company means Crater Gold Mining Limited ACN 067 519 779.

Constitution means the Company's constitution, as amended from time to time.

Corporations Act means *Corporations Act 2001 (Cth)*.

Corporations Regulations means *Corporations Regulations 2001 (Cth)*.

Directors means the directors of the Company.

Equity Securities has the meaning given in the Listing Rules.

Explanatory Statement means the explanatory Statement accompanying this Notice.

Freefire means Freefire Technology Limited.

HSBC means HSBC Custody Nominees (Australia) Limited

Listing Rules means the ASX Listing Rules.

Meeting means the General Meeting convened by the Notice.

Notice means this Notice of General Meeting.

Notice of Meeting means this Notice of General Meeting.

Offer means the 11:2 entitlement offer being conducted by the Company pursuant to the Prospectus to raise up to approximately \$23.056 million.

Performance Right means a right to acquire a Share subject to the satisfaction of specified performance conditions during the performance period.

Prospectus means the prospectus to be lodged by the Company with ASIC and ASX in respect of the Offer.

Proxy Form means the proxy form accompanying the Notice.

Related Party Performance Right means Performance Right held by a Related Party

Resolution means a resolution contained in the Notice.

Restricted Voter means Key Management Personnel and their Closely Related Parties as at the date of the Meeting.

Shareholder means a member of the Company from time to time.

Shares means fully paid ordinary shares in the capital of the Company.

Subscribers means Freefire and HSBC on behalf of Sam Chan

ANNEXURE A – TERMS AND CONDITIONS OF DIRECTORS PERFORMANCE RIGHTS

1. Terms of Performance Rights

- (a) **(Performance Rights):** Each Performance Right gives the holder (**Holder**) a right to one share in the capital of Company.
- (b) **(General Meetings):** The Performance Rights shall confer on the Holder the right to receive notices of general meetings and financial reports and accounts of Company that are circulated to Company Shareholders. Holders have the right to attend general meetings of Company Shareholders.
- (c) **(No Voting Rights):** The Performance Rights do not entitle the Holder to vote on any resolutions proposed at a general meeting of Company Shareholders, subject to any voting rights under the Corporations Act 2001 (Cth) or the ASX Listing Rules where such rights cannot be excluded by these terms.
- (d) **(No Dividend Rights):** The Performance Rights do not entitle the Holder to any dividends.
- (e) **(Transfer of Performance Rights):** The Performance Rights are not transferable.
- (f) **(Reorganisation of Capital):** In the event that the issued capital of Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
- (g) **(Application to ASX):** The Performance Rights will not be quoted on ASX. Upon conversion of the Performance Rights into Company Shares in accordance with these terms, the Company must within seven (7) days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Shares arising from the conversion.
- (h) **(Participation in Entitlements and Bonus Issues):** Subject always to the rights under item (f) (Reorganisation of Capital), holders of Performance Rights will not be entitled to participate in new issues of capital offered to holders of Company Shares such as bonus issues and entitlement issues.
- (i) **(Amendments):** The terms of the Performance Rights may be amended as necessary by the Company in order to correct for minor administrative issues, obvious errors and in order comply with Legislation or the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
- (j) **(No Other Rights):** The Performance Rights give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

2. Conversion of the Performance Rights

- 2.2.1 **(Class A Performance Rights)** – Class A Performance Rights shall convert to fully paid ordinary shares in the Company upon achievement of successful commercial gold production at the Crater Mountain project with successful commercial gold production defined as attaining positive operating cash flow from mining operations (i.e., revenue less: direct variable cash mining and processing costs; 50% of fixed overhead costs incurred at the Nevera Gold Mine; 50% of the Chief Operating Officer’s employment expense; and the cost of any landowner compensation payments that relate to mining activities) for three consecutive months.
- 2.2.2 **(Class B Performance Rights)** - Class B Performance Rights shall convert to fully paid ordinary shares in the Company upon expansion of the Crater Mountain Project total Resource (i.e., adding all categories of Measured, Indicated and Inferred together) to 1,112,500 contained ounces of gold or more, with a cut-off grade of 0.5g/t AU.

- 2.2.3 **(Class C Performance Rights)** - Class C Performance Rights shall convert to fully paid ordinary shares in the Company 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\$5,000.
- 2.2.4 **(Class D Performance Rights)** - Class D Performance Rights shall convert to fully paid ordinary shares in the Company 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\$5,000.
- 2.2.5 **(Class E Performance Rights)** - Class E Performance Rights shall convert to fully paid ordinary shares in the Company 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\$5,000.
- 2.2.6 **(Class F Performance Rights)** – Class F Performance Rights shall convert to fully paid ordinary shares in the Company upon:
- the achievement of a 20m+ drill intersection averaging an accredited laboratory assay of 5% Zn, or Zn with a polymetallic combination of Zn, Cu, Pb, Ag, Sn metal values that give a 5% Zn equivalent to be calculated and reported in compliance with clause 50 of the 2012 JORC Code; or
 - the achievement of a 20m+ drill intersection averaging an accredited laboratory assay of 3.0 g/t Au, or Au with a polymetallic combination of Zn, Cu, Pb, Ag, Sn metal values that give a 3.0 g/t Au equivalent to be calculated and reported in compliance with clause 50 of the 2012 JORC Code.
- 2.2.7 **(Conversion of Performance Rights)** In the event a condition is satisfied, the corresponding Performance Rights held by the Holder will convert into an equal number of Company Shares, unless otherwise agreed by the Company and Holder.
- (g) **(No Conversion if Milestone not Achieved)** Any Performance Right not converted into a Company Share from the date of issue to 31 January 2022 will lapse.
- (h) **(Bad Leaver)** In the event the Holder ceases to be a Director of the Company due to resignation (other than due to a Special Circumstance), dismissal for cause or poor performance; or any other circumstances (other than due to a Special Circumstance) will then be determined to be a Bad Leaver and any Unconverted Performance Rights will immediately lapse.
- (i) **(Good Leaver)** In the event the Holder ceases to be a Director of the Company due to a Special Circumstance or otherwise for reasons other than as a Bad Leaver all Unconverted Performance Rights held by Holder will continue in force and remain exercisable until the Last Exercise Date.
- (j) **(Special Circumstance)** Is a circumstance in where the Holder ceases to be a director of the Company for any reason (other than removal pursuant to paragraph (k) below after 18 months from the date of grant or before that date due to Total and Permanent Disablement, Mental Illness, Redundancy or the death, or terminal illness of the Holder or with the with consent of the Board.
- (k) **(Removal by Shareholders)** – In the event that the Shareholders of the Company remove a Holder as a director of the Company at a General Meeting, the Performance Rights held by that Holder will immediately lapse only if the removal of that Director has been approved by both 50% of the votes cast and at least 50% of the shareholders that have voted.
- (l) **(Board Discretion to Convert)** – The Board may, at its discretion, by notice to the Holder reduce or waive the vesting conditions attaching to Shares in whole or part at any time and in any particular case, which may be subject to Shareholder Approval.
- (m) **(After Conversion)** The Company Shares issued on conversion of the Performance Rights will, as and from 5.00pm (WST) on the date of issue, rank equally with and confer rights identical with all other Company Shares then on issue and application will be made by Company to ASX for official quotation of the Company Shares issued upon conversion.

- (n) **(Conversion Procedure)** The Company will issue the Holder with a new holding statement for the Company Shares as soon as practicable following the conversion of the Performance Rights into Company Shares.
- (o) **(Change of Control Event)** If a Change of Control Event occurs, the Board may in its sole and absolute discretion determine how Unconverted Performance Rights held by a Holder will be treated, including that Unconverted Performance Rights (or a portion of Unconverted Performance Rights) will vest and become immediately exercisable with such vesting deemed to have taken place immediately prior to the effective date of the Change of Control Event, regardless of whether or not the employment, engagement or office of the Holder is terminated or ceases in connection with the Change of Control Event and/or reducing or waiving any of the Performance Right Vesting Conditions attaching to those Unconverted Performance Rights.
- (p) **(Change of Control Event Definition)** A change of Control event occurs where:
 - (i) an offer is made for Shares pursuant to a takeover bid under Chapter 6 of the Corporations Act and is, or is declared, unconditional; or
 - (ii) the Court sanctions under Part 5.1 of the Corporations Act a compromise or arrangement relating to the Company or a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
 - (iii) any other merger, consolidation or amalgamation involving the Company occurs which results in the holders of Shares immediately prior to the merger, consolidation or amalgamation being entitled to 50 per cent or less of the voting shares in the body corporate resulting from the merger, consolidation or amalgamation; or
 - (iv) any Group Company enters into agreements to sell in aggregate a majority in value of the businesses or assets (whether or not in the form of shares in a Group Company) of the Group to a person, or a number of persons, none of which are Group Companies; or
 - (v) the Board determines in its reasonable opinion, control of the Company has or is likely to change or pass to one or more persons, none of which are Group Companies.

ANNEXURE B – VALUATION OF PERFORMANCE RIGHTS

Assumptions:	Performance Rights (Class A)	Performance Rights (Class B)	Performance Rights (Class C)	Performance Rights (Class D)	Performance Rights (Class E)	Performance Rights (Class F)
Valuation date	1/11/2018	1/11/2018	1/11/2018	1/11/2018	1/11/2018	1/11/2018
Vesting conditions	Non-market	Non-market	Market	Market	Market	Non-Market
Valuation methodology	Black Scholes	Black Scholes	Monte-Carlo	Monte-Carlo	Monte-Carlo	Black Scholes
Market price of Shares (per share)	2.8 cents	2.8 cents	2.8 cents	2.8 cents	2.8 cents	2.8 cents
Exercise price (per share)	Nil	Nil	Nil	Nil	Nil	Nil
Expiry date	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021
Risk free interest rate	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%
Volatility	73.44	73.44	73.44	73.44	73.44	73.44
Indicative value per Performance Right	2.8 cents	2.8 cents	2.8 cents	2.8 cents	2.8 cents	2.8 cents
Total Value of Performance Rights	\$716,709	\$273,342	\$355,598	\$344,572	\$314,249	\$358,355
*Total of						
Russ Parker	\$250,848	\$125,424	\$124,429	\$120,600	\$109,987	\$125,424
Desmond Sun	\$107,506	\$11,247	\$53,340	\$51,686	\$47,137	\$53,753
Lawrence Lee	\$107,506	\$11,247	\$53,340	\$51,686	\$47,137	\$53,753
Thomas Fermanis	\$250,848	\$125,424	\$124,429	\$120,600	\$109,987	\$125,424

The valuation above took into account the following matters:

- The Board is currently not in a position to estimate the probability of achieving the milestones as set out for each performance right class and as a result has not discounted the above valuation accordingly. The above valuations have been provided on the basis of all performance milestones being met and on an undiscounted basis.
- The market price of a share is assumed to be the same as the current share price trading on the ASX, which at the date of valuation was \$0.026.
- The exercise price is the price at which the underlying ordinary Shares will be issued. No consideration is to be paid upon exercising the Performance Rights.
- Performance Rights with vesting conditions can only be exercised following the satisfaction of these exercise conditions.
- The valuation of Performance Rights assumes that the exercise of a right does not affect the value of the underlying asset.
- In reference to Class A, Class B and Class F Performance Rights that are based on non-market vesting conditions, given that the Performance Rights are to be issued for no consideration, the value of the Performance Rights is reflected in the underlying Share price at the valuation date. Variable inputs used in traditional option valuation models such as implied share price volatility, the risk free interest rate and life of the right have no impact on the value of the Performance Rights so long as the underlying asset does not pay a dividend.
- Any changes in the variables applied in the valuation calculations between the date of valuation and the date the Performance Rights are granted would have an impact on their value.

ANNEXURE C – INDEPENDENT EXPERTS REPORT



CRATER GOLD MINING LIMITED

Financial Services Guide and Independent Expert's Report

26 October 2018

We have concluded that the Proposed Transaction is Fair and Reasonable

FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“RSM Corporate Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business. RSM Australia Partners were the appointed auditor of Crater Gold Mining Limited for the year ended 30 June 2018.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry. Further details about FOS are available at the FOS website www.fos.org.au.

From 1 November 2018, the responsibilities of FOS will be transferred to a new external dispute resolution scheme for the financial services industry, the Australian Financial Complaints Authority ("AFCA"). Further details about AFCA are available at the AFCA website www.afca.org.au.

If you are not satisfied with our handling of your complaint, you may therefore lodge a complaint:

- with FOS if lodged **before 1 November 2018**

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 780 808
Facsimile: (03) 9613 6399
Email: info@fos.org.au

- with AFCA if lodged **on or after 1 November 2018**

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

CONTENTS

1.	Introduction	5
2.	Summary and Conclusion	7
3.	Summary of Proposed Transaction.....	11
4.	Scope of the Report	13
5.	Profile of Crater Gold Mining Limited	15
6.	Profile of Freefire	23
7.	Valuation Approach.....	24
8.	Valuation of Crater prior to the Proposed Transaction	27
9.	Valuation of Crater after the Proposed Transaction	32
10.	Is the Proposed Transaction Fair to Shareholders?	34
11.	Is the Proposed Transaction Reasonable to Shareholders?	35

TABLE OF APPENDICES

A.	Declarations and Disclaimers.....	38
B.	Sources of Information.....	39
C.	Glossary of Terms.....	40
D.	Mining Associates Independent Specialist Report	42
E.	SRK Independent Specialist Report.....	74

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26 October 2018

The Directors
Crater Gold Mining Limited
Level 3, 216 St Georges Terrace
Perth, WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of Crater Gold Mining Limited ("Crater" or "the Company") to be held on or around 15 January 2019, at which shareholder approval will be sought for (among other things) an 11:2 Renounceable Rights Issue ("Rights Offer") to raise up to \$23.055 million, at \$0.015 per share. The Rights Offer will not proceed without Shareholder approval.
- 1.2 The Company is seeking Shareholder approval for the issue of a total of 880,472,610 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to Freefire Technology Limited ("Freefire"), a company associated with the Company's Chairman Mr Sam Chan and for the issue of a total of 3,102,000 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to HSBC Custody Nominees (Australia) Limited ("HSBC"), on behalf of Mr Sam Chan, pursuant to them each taking up their entitlements under the Rights Offer ("Proposed Transaction").
- 1.3 Freefire and HSBC, on behalf of Mr Sam Chan, ("together The Subscribers") have indicated to the Company that they will take up their full entitlements under the Rights Offer to approximately \$13.25 million, and these funds will be used to partially repay \$15.0 million in debt owed by the Company to Freefire. The \$1.75 million balance of the loan will remain outstanding on the same terms except the loan will be extended for three years and not be repayable at call.
- 1.4 Mr Chan and Freefire currently hold a relevant interest of approximately 57.48% in the Company. Assuming full subscription of the Rights Offer, the maximum percentage interest Mr Chan and Freefire could have on completion is 57.48%. If no shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders") subscribe for new shares under the Rights Offer, then Freefire and Mr Chan could have a relevant interest of 89.78% in the Company.

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RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- 1.5 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd (“RSM”), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction (“Non-Associated Shareholders”).
- 1.6 The request for approval of the Proposed Transaction is included as Resolution 1 in the Notice and has been restated below.

Resolution 1

“For the purposes of Item 7 Section 611 of the Corporations Act, and for all other purposes approval be given for the issue of a total of 880,472,610 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to Freefire and for the issue of a total 3,102,000 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to HSBC on behalf of Mr Sam Chan pursuant to them each taking up their entitlements under the Renounceable Rights Issue [to be] announced in December 2018 (the “Offer”) the result of which assuming they were the only subscribers under the Offer their respective relevant interests in ordinary shares in the Company and their respective voting power would increase from 57.28% and 57.48% to 89.47% and 89.78%.”

- 1.7 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and conclusion

Opinion

2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders of Crater.

Approach

2.2 In assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – *Content of Expert Reports* (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.

2.3 Where an issue of shares by a company otherwise prohibited under section 606 of the Act is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.

2.4 Therefore, we have considered whether or not the Proposed Transaction is “fair” to the Non-Associated Shareholders by assessing and comparing:

- The Fair Market Value of a Share in Crater on a control basis prior to the Proposed Transaction; with
- The Fair Market Value of a Share in Crater on a non-control basis immediately post completion of the Proposed Transaction,

and, considered whether the Proposed Transaction is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

2.5 Further information of the approach we have employed in assessing whether the Proposed Transaction is “fair” and “reasonable” is set out at Section 4 of this Report.

Fairness

2.6 Our assessed values of a Crater Share prior to and immediately after the Proposed Transaction are summarised in the table and figure below.

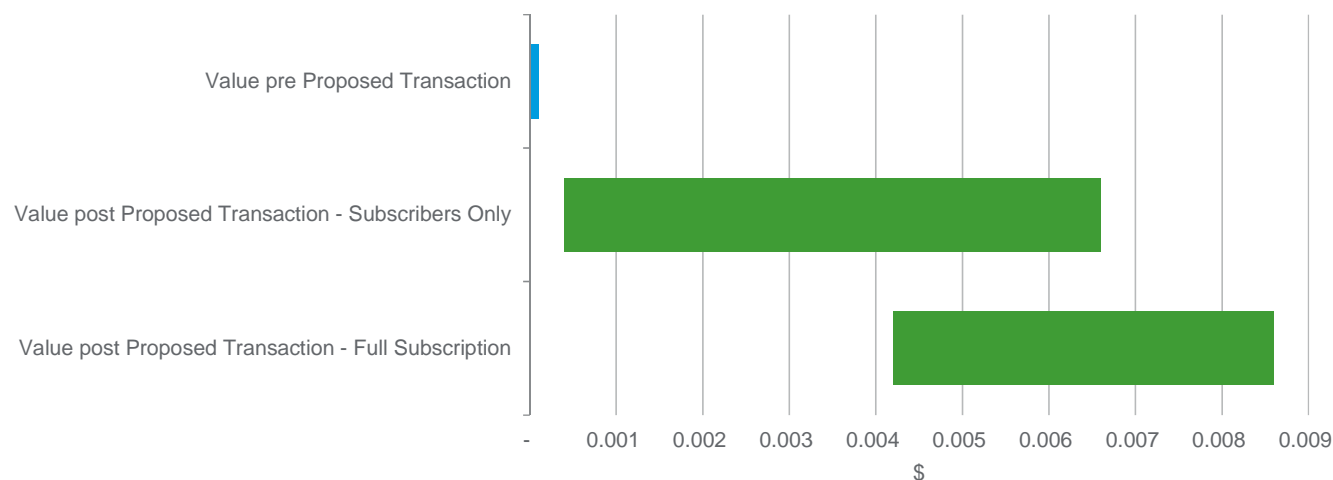
Table 1 Assessed values of a Crater Share pre and post the Proposed Transaction

Assessment of fairness	Ref	Value per Share	
		Low	High
Fair value of a Crater Share pre the Proposed Transaction – Control basis	8.2	\$nil	\$nil
Fair value of a Crater Share post the Proposed Transaction – Non control basis:			
- Assuming full subscription of the Rights Offer	9.3	\$0.0042	\$0.0086
- Assuming only the Subscribers subscribe to the Rights Offer	9.3	\$0.0004	\$0.0066

Source: RSM analysis

2.7 We have summarised the values included in the table above in the chart below.

Figure 1 Crater Share valuation graphical representation



Source: RSM analysis

2.8 The chart above indicates that the range of undiluted values post the Proposed Transaction is greater than the undiluted value prior to the Proposed Transaction.

2.9 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Act, we consider the Proposed Transaction to be **fair** to the Non-Associated Shareholders of Crater. We have reached this conclusion based on the analysis of pre and post Proposed Transaction values.

Reasonableness

2.10 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.11 If the Proposed Transaction does not proceed the Board will continue to seek alternative funding arrangements to settle its debts and provide working capital to continue to pursue its exploration assets and add value to shareholders. If no other funding arrangements are found, the Company may have to enter into administration or seek other restructuring or recovery options in order to settle its debts.

2.12 The key advantages of the Proposed Transaction are:

Advantage	Details
The Proposed Transaction is fair	RG 111 states if the Proposed Transaction is fair it is reasonable.
Settlement of debt to Freefire	The debt due to Freefire is currently more than double the market capitalisation of the Company. This has detracted from the Company's ability to attract additional capital, particularly as the Company has generated little or no revenue with which to pay down the debt to Freefire. The Board (other than Sam Chan who offers no opinion) is of the view that paying down \$13.25 million of the debt owing to Freefire will strengthen the Company's balance sheet and assist the Company's efforts to access additional capital.
Avoid the potential of being placed into administration	If the Proposed Transaction is not approved and no other funding arrangements are found, the Company may have to enter into administration or seek other restructuring or recovery options in order to settle its debts.
Increased working cash and working capital for operations	If the Proposed Transaction is successful and the full \$23.06 million is raised under the Rights Offer, after settlement of the company's debts there will be sufficient working capital remaining to continue exploration activities on the Company's Crater Mountain and Croydon Projects.

2.13 The key disadvantages of the Proposed Transaction are:

Disadvantage	Details
The Non-Associated Shareholders' interests in the Company may be diluted	If the Non-Associated Shareholders do not participate in the Rights Offer, the interest of the Non-Associated Shareholders may be reduced from 42.5% to as low as 10.2% following the completion of the Rights Offer and assuming no Non-Associated Shareholders take up their entitlement.
Freefire and Mr Chan may hold an interest up to 89.78% in the Company	Assuming only Freefire and Mr Chan participate in the Rights Offer, Freefire and Mr Chan will move to a position where they have a relevant interest in 89.78% of the Shares in the Company. Accordingly, Freefire will have an increased level of control over the Company including being able to pass special resolutions of shareholders. Further, after six months Freefire and Mr Chan have the ability increase their interest above 90% under the creep provisions of the Act and potentially be in a position to compulsorily acquire all other Shares in the Company. The implications of the various levels of control which Freefire and Mr Chan may acquire as a result of the Proposed Transaction are shown in Table 2 below.
The Company may be a less attractive investment for outside capital	If the Proposed Transaction is completed and Freefire and Mr Chan hold a maximum interest of 89.78%, an investment in the Company may be less attractive as potential new investors may be foregoing the potential for a future control premium and the 'overhang' of a controlling shareholder may dissuade outside investment.

2.14 As stated above in the disadvantages, Freefire and Mr Chan may increase their interest up to 89.78% in the Company as a result of the Rights Offer. The table below sets out the various levels of interest which Freefire and Mr Chan may acquire, and the relevant implications of those levels for the Non-Associated Shareholders:

Table 2 Levels of Interest

Level of Interest	Implications for Non-Associated Shareholders
50%-74.9%	Freefire and Mr Chan have the ability to pass ordinary resolutions of the Company
75%+	Freefire and Mr Chan have the ability to pass special resolutions of the Company
87%+	Freefire and Mr Chan have the ability to reach the 90% compulsory acquisition threshold within 6 months by way of the 'creep' provisions

- 2.15 We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of Crater at this time.
- 2.16 In our opinion, the position of the Non-Associated Shareholders of Crater if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Crater.

3. Summary of Proposed Transaction

Overview

- 3.1 The Company is seeking Shareholder approval for the issue of a total of 880,472,610 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to Freefire and for the issue of a total of 3,102,000 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to HSBC, on behalf of Mr Sam Chan, pursuant to them each taking up their entitlements under the Rights Offer.
- 3.2 Freefire and HSBC, on behalf of Mr Sam Chan, have indicated to the Company that they will take up their full entitlements under the Rights Offer to approximately \$13.25 million, and these funds will be used to partially repay \$15.0 million in debt owed by the Company to Freefire. The \$1.75 million balance of the loan will remain outstanding on the same terms except the loan will be extended for three years and be repayable on the third anniversary of the close of the Rights Offer.
- 3.3 Mr Chan and Freefire currently hold a relevant interest of approximately 57.48% in the Company. Assuming full subscription of the Rights Offer, the maximum percentage interest Mr Chan and Freefire could have on completion is 57.48%. If no Non-Associated Shareholders subscribe for new shares under the Rights Offer then Freefire and Mr Chan could have a relevant interest of 89.78% in the Company.
- 3.4 The Company is seeking shareholder approval pursuant to item 7 of Section 611 of the Act on the basis of the possible increase in control of the Company by Freefire and Mr Chan following the Proposed Transaction.

Rationale for the Proposed Transaction

- 3.5 The Company currently has significant debts payable to Freefire and is in a net liability position. The directors consider the Proposed Transaction to be the best available option to settle the significant debts of the Company and raise working capital to continue operations.

Impact of Proposed Transaction on Crater's capital structure

3.6 The table below sets out a summary of the capital structure of Crater prior to and post the Proposed Transaction.

Table 3 Share structure of Crater pre and post the Proposed Transaction

	Prior to Proposed Transaction		Post Proposed Transaction – full Non-Associated Shareholder subscriptions		Post Proposed Transaction – no Non-Associated Shareholder subscriptions	
Shares on issue						
Non-Associated Shareholders	118,814,846	42.52%	772,296,499	42.52%	118,814,846	10.22%
Freefire	160,085,929	57.28%	1,040,558,539	57.28%	1,040,558,539	89.47%
HSBC – Chan holdings	564,000	0.20%	3,666,000	0.20%	3,666,000	0.31%
Total undiluted shares on issue	279,464,775	100.0%	1,816,521,038	100.0%	1,163,039,385	100.0%
Options and performance rights:						
Options – Non-Associated Shareholders	20,300,000	33.95%	20,300,000	33.95%	20,300,000	33.95%
Options – Freefire and Mr Chan	2,300,000	3.85%	2,300,000	3.85%	2,300,000	3.85%
Performance Rights – Non-Associated Shareholders	37,201,020	62.21%	37,201,020	62.21%	37,201,020	62.20%
Total Performance Rights	59,801,020	100.0%	59,801,020	100.0%	59,801,020	100.0%
Fully diluted position:						
Non-Associated Shareholders	176,315,866	51.97%	792,596,499	43.10%	139,114,846	11.73%
Freefire	162,385,929	47.86%	1,042,858,539	56.70%	1,042,858,539	87.96%
HSBC – Chan holdings	564,000	0.17%	3,666,000	0.20%	3,666,000	0.31%
Total diluted shares on issue	339,265,795	100.0%	1,839,121,038	100.0%	1,185,639,385	100.0%

Source: Company

4. Scope of the Report

Corporations Act

- 4.1 Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing by more than 3% in every 6 months from a starting point that is above 20% or increasing their interest from a position of less than to greater than 20%. Completion of the Proposed Transaction may result in Freefire and Mr Chan increasing their undiluted interest in the Company from 57.48% to up to 89.78% (88.27% fully diluted), assuming no Non-Associated Shareholder take up their entitlement under the Rights Offer and Freefire and HSBC takes up its full entitlement.
- 4.2 Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the company.
- 4.3 Despite exemptions in Section 611 of the Act being potentially available, given nature of the Offer and the extent of the possible increase in the control of the Company by Freefire and Mr Chan, the Company has decided to seek Shareholder approval for the Proposed Transaction under Item 7 of Section 611 of the Act.
- 4.4 Section 611(7) of the Act states that Shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 ("RG 111") sets out the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

Basis of evaluation

- 4.5 In determining whether providing the Proposed Transaction is "fair" and "reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.6 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.7 RG 111 states that the expert's report should focus on:
- The issues facing the security holders for whom the report is being prepared: and
 - The substance of the transaction rather than the legal mechanism used to achieve it.
- 4.8 Where an issue of shares by a company otherwise prohibited under section 606 is approved under item 7 of section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 4.9 RG 111 applied the fair and reasonable test as two distinct criteria in the circumstance of a takeover offer, stating:
- A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - A takeover is considered "reasonable" if it is fair, or where the offer is "not fair" it may still be reasonable if the expert believes that there are sufficient reasons for security holders to accept the offer.
- 4.10 Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
- A comparison of the fair value of an ordinary Share in Crater prior to (on a control basis) and immediately following (on a non-control basis) the Proposed Transaction – fairness; and

- A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.

4.11 The other significant factors to be considered include:

- Other prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

4.12 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of Crater Gold Mining Limited

Background

- 5.1 Crater is an Australian public company listed on the ASX and based in Perth, Australia. The Company was formerly known as Gold Anomaly Limited and changed its name to Crater Gold Mining Limited in July 2013.
- 5.2 Crater engages in the exploration, evaluation and exploitation of gold and other base metal projects in PNG and Australia. The Company's flagship project is the Crater Mountain project, a former BHP asset that comprises seven contiguous mining and exploration licenses, covering four prospects in PNG's Eastern Highlands. The Company also has exploration tenements at Croydon, Australia.
- 5.3 A summary of Crater's key projects is discussed below.

Crater Mountain

- 5.4 The Crater Mountain Project is an advanced stage exploration project located in the Papua New Guinea highlands, approximately 50km southwest of Goroka. The project comprises of six exploration mining licences and one mining lease covering a combined area of 306.9km². All licenses are owned by Anomaly Ltd, a wholly owned subsidiary of Crater, registered in Papua New Guinea.
- 5.5 Production commenced at the High-Grade Zone ("HGZ") mine in 2016, with stoping of high grade gold block from the 1960m level up to the surface, however, the impact of previous artisanal mining initially resulted in lower gold production than expected.
- 5.6 The Company's mining infrastructure has recently been upgraded with the development of a second entrance at the 1930m level which will provide mining access to 30 meters of vertical resource which has previously been untouched by artisanal mining and will provide suitable drill platforms for both infill drilling and depth extensions of the HGZ.
- 5.7 In 2017, the Company purchased an Atlas Copco Diamec 252 drill rig to undertake drilling on the site. The initial drilling is aimed to target depth extensions of the HGZ mineralisation, including areas which are approximately 300 meters deep that have never been drill tested.
- 5.8 The Nevera prospect is the most advanced of the identified prospects within the Crater Mountain Project and has been the focus of much of the previous exploration carried out up to the present day. Three main zones have been outlined from the drilling of the Nevera prospect being, the mixing zone, the HGZ and the Porphyry Copper-Gold Zone, all of which are believed to have potential to host large deposits of gold and copper.

Croydon

- 5.9 The Croydon Project consists of two sub-projects in far north-west Queensland, Australia, which Crater holds a 100% equity interest in comprising the A2 Polymetallic project and the Golden Gate Graphite project.
- 5.10 The A2 Polymetallic project has drilling results which includes high grade silver and zinc assays. Recently, the Company embarked on a sampling programme to confirm the previous drilling results, and to further outline other targets for drilling. The results highlighted a number of priority targets for drilling.
- 5.11 The Company has identified both priority polymetallic areas and priority silver and copper targets in the project area and has applied for additional ground to cover possible extensions of all the anomalies indicated. The Company intends to embark upon a drilling program to test these high priority targets in April 2019, with planning currently underway.
- 5.12 Recently the Company reported that petrological testing from samples from the recent drilling campaign have returned favourable results with the graphite being identified as flake graphite.

5.13 It is the Company's intention to undertake more drilling at the Golden Gate Graphite project in 2019, with drilling plans at an advanced stage.

Directors and management

5.14 The directors and key management of Crater are summarised in the table below.

Table 4 Crater Directors

Name	Title	Experience
Mr Samuel Chan Wing Sun	Non-executive Chairman	Mr Chan was appointed as a Director on 29 January 2013 and as Chairman of Directors on 11 March 2013. Mr Chan received a bachelor's degree from the University of Manchester, UK in 1970 and qualified as a chartered accountant in 1973. He was the company secretary of Yangtzekiang Garment Limited from 1974 to 1988 and has been a director of Yangtzekiang Garment Limited since 1977. Mr Chan was appointed the Managing Director of YGM Trading Limited from 1987 to 2006 and the Chief Executive Officer of YGM Trading Limited from 2006 to 2010. He has been the Vice Chairman of the board of YGM Trading Limited since 2010.
Mr Thomas Fermanis	Non-executive Deputy Chairman	Mr Fermanis was appointed as Deputy Chairman on 1 April 2015 and Director of Anomaly Resources Limited ("Anomaly") on 3 May 2007. He has been a Director of the Company since 2 November 2009 (the Company and Anomaly merged in 2009). Mr Fermanis has many years of experience as a stockbroker and has experience in the resource sector. He has been involved in gold exploration in PNG for a number of years. Mr Fermanis is a member of both the Company's Audit Committee and the Remuneration and Nomination Committee.
Mr Russ Parker	Managing Director	Mr Parker was appointed as Managing Director on 1 April 2015 and has been a Director of the Company since 12 March 2013. Mr Parker lives in Hong Kong. He is a qualified Marine Engineer and Marine Industries Manager having graduated from Southampton Institute of Higher Education, Marine Division, in the United Kingdom. Mr Parker is a professional Company Director.
Mr Lawrence Lee	Finance Director	Mr Lee was appointed as Finance Director on 1 April 2015 and a Director of the Company on 6 June 2014. He has over 25 years of experience in finance, corporate finance, management, auditing and accounting. He worked in an international accounting firm for several years and has worked as group financial controller, chief financial officer and director of listed companies on the Hong Kong Stock Exchange for over 10 years.
Mr Desmond Sun	Non-Executive Director	Mr Sun was appointed as a Director on 29 January 2013. Mr Sun obtained a Bachelor of Economics from the University of Tasmania and held management positions with the Ford Motor Company in Melbourne and in Brisbane, as well as with Citibank NA and Lloyds Bank Plc in Hong Kong. He has been an executive director of several listed companies in Hong Kong and has been engaged in advisory services on strategic planning and corporate development, mainly in corporate finance, since 1991.

Source: Company

Financial information of Crater

5.15 The information in the following section provides a summary of the financial performance of Crater for:

- the half year ended 31 December 2017, extracted from the reviewed half-year financial statements of the Company; and
- the two years ended 30 June 2018 and 30 June 2017, extracted from the audited financial statements of the Company.

5.16 The auditor of Crater, RSM Australia Partners, has issued an unqualified audit opinion on the financial statements for the year ended 30 June 2018 and an unqualified review opinion on the financial statements for the half-year ended 31 December 2017, However, the auditor cited an emphasis of matter with regard to

a material uncertainty of the Company's ability to continue as a going concern for both the 30 June 2018 year end and 31 December 2017 half-year financial statements.

- 5.17 The previous auditor of Crater, BDO Australia, issued an unqualified audit opinion on the financial statements for the year-ended as at 30 June 2017, and also cited an emphasis of matter with regard to a material uncertainty of the Company's ability to continue as a going concern.

Financial performance

- 5.18 The following table sets out a summary of the financial performance of Crater for the years ended 30 June 2017 and 30 June 2018.

Table 5 Crater historical financial performance

\$	Ref	Year ended 30-Jun-18 Audited	Year ended 30-Jun-17 Audited
Revenue from continuing operations	5.19	-	225,288
Cost of sales		-	(823,178)
Gross profit / (loss) from gold production		-	(597,890)
Profit / (loss) on disposal of fixed assets		-	7,273
Interest income		205	826
Reversal of bad debt		88,543	-
Gross income / (loss) from continuing activities		88,748	(589,791)
Expenses			
Administration expense		(2,596,830)	(1,559,307)
Corporate compliance expense		(180,975)	(104,018)
Depreciation expense		(218,616)	(191,139)
Exploration & evaluation costs impaired	5.21	-	(15,049,107)
Exploration & evaluation costs		(1,848,903)	-
Share Based Payments		(122,310)	(115,488)
Financing expense	5.20	(861,020)	(722,501)
Impairment of Mining Asset	5.22	-	(6,953,390)
Loss before income tax expenses from continuing operations		(5,739,906)	(25,284,741)
Income tax expense		-	-
Loss after income tax expense for the half year		(5,739,906)	(25,284,741)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(80,870)	(616,932)
Total comprehensive income for the half year, net of tax		(5,820,776)	(25,901,673)

Source: Company financial statements and management accounts

- 5.19 Revenue from continuing operations for the years ended 30 June 2017 solely consisted of proceeds received from gold sales. No sales occurred in the year ended 30 June 2018.
- 5.20 Financing charges relate to interest accumulated on the Freefire Loans and other debts of the Company.
- 5.21 Exploration and evaluation impairment costs of \$15.0 million in FY17, were as a result of:

- The Company's failure to meet the requirements of AASB 6, whereby substantive expenditure on further exploration for and evaluation of mineral resources in the specific area was neither budgeted nor planned; and
- the write down of the Crater Mountain Project to \$8.0 million as a result of an independent valuation completed on 10 April 2017.

5.22 Mining assets amounting to \$7.0 million were fully impaired in FY17.

Financial position

5.23 The table below sets out a summary of the financial position of Crater as at 30 June 2018 and 31 December 2017.

Table 6 Crater historical financial position

\$	Ref	30-Jun-18 Audited	31-Dec-17 Reviewed
Current assets			
Cash and cash equivalents	5.24	265,155	297,645
Trade and other receivables		102,341	97,928
Total current assets		367,496	395,573
Non-current assets			
Other financial assets		65,796	65,802
Exploration and evaluation	5.25	9,014,465	8,743,380
Plant and equipment		687,384	698,257
Total non-current assets		9,767,645	9,507,439
Total assets		10,135,141	9,903,012
Current liabilities			
Trade and other payables		1,685,558	1,833,111
Related party payables		873,587	762,128
Interest bearing liabilities	5.26	13,679,324	10,512,041
Total current liabilities		16,238,469	13,107,280
Total liabilities		16,238,469	13,107,280
Net assets		(6,103,328)	(3,204,268)

Source: Company financial statements and management accounts

5.24 At 30 June 2018, Crater had net liabilities of approximately \$6.1 million, including \$0.3 million cash, a working capital deficit (current assets, excluding cash less current liabilities excluding debt) of approximately \$2.5 million, and total debt (interest bearing liabilities) of \$13.7 million.

5.25 Exploration and evaluation assets had a book value of \$9.0 million at 30 June 2018. The Crater Mountain Project represented the majority of the balance of the exploration, at approximately \$8.0 million, with the balance relating to the Croydon Project.

5.26 Interest bearing liabilities of \$13.7 million as at 30 June 2018 relate to:

- A number of short-term interest-bearing loans totalling \$12.9 million payable to Freefire which are to be utilised by the Company for the purposes of developing its projects and general working capital; and
- A secured loan facility of \$0.8 million from the Industrial and Commercial Bank of China (Asia) Limited. This loan facility is repayable on call and is guaranteed by interests associated with the Chairman, Mr Chan.

5.27 Immediately prior to the proposed Rights Offer, Freefire is expected to have loans and accumulated interest outstanding from the Company of \$15.0 million under various debt facilities ("Freefire Loans"). The Freefire

Loans were negotiated between the parties at arm's length with \$4.0 million of the loans incurring 12% interest per annum and the remaining balance incurring interest at 8% per annum, all repayable on demand from Freefire.

- 5.28 Following completion of the Proposed Transaction, the balance of the loan of approximately \$1.75 million will remain outstanding on the same terms except the loan will be extended for three years and not be repayable at demand, as is currently the case.

Solvency position

- 5.29 Although Crater incurred a net loss after tax of \$5.74 million and is in a net liability position of \$6.1 million as at 30 June 2018, the FY18 financial statements were prepared on a going concern basis. The Directors considered this to be appropriate for the following reasons:

- the Company announced on 2 August 2018 that it had executed a new loan agreement for \$1.5 million, the funding will be provided by way of an unsecured loan facility from the Company's major shareholder, Freefire Technology Ltd. The loan has been fully drawn at the date of this report;
- Crater's key area of expenditure is the Crater Mountain Project in Papua New Guinea. Whilst processing of ore has only recently re-commenced, the Group anticipates that there will be production output in the near future that will generate income from mining operations; and
- Crater entering into the Proposed Transaction.

- 5.30 The Directors state in the FY18 annual report that they were of the opinion that the financial statements should be prepared on a going concern basis and the Company will be able to pay its debts as and when they fall due and payable.

- 5.31 However, as a result of the above matters, a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern which the auditors highlighted (discussed above at paragraph 5.16).

Capital structure

5.32 Crater has 279,464,775 ordinary shares on issue. The top 20 shareholders of Crater as at 11 October 2018 are set out below.

Table 7 Crater Top 20 shareholders

Rank	Name	Shares	%
1	FREEFIRE TECHNOLOGY LTD	160,085,929	57.28
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,107,901	2.90
3	MR PAUL THOMAS MCGREAL	6,000,000	2.15
4	BNP PARIBAS NOMINEES PTY LTD	4,675,201	1.67
5	MR GRAHAM JOHN BAILEY & MRS ANNETTE MAREE BAILEY	4,375,000	1.57
6	MR NORMAN COLBURN MAYNE	4,200,000	1.50
7	LENNARD DRILLING PTY LTD	3,846,154	1.38
8	GRAHAM BAILEY EARTHMOVING PTY LTD	3,125,000	1.12
9	MR FOUAD ABDO	2,937,941	1.05
10	MR JOE HOLLOWAY	2,643,524	0.95
11	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,177,833	0.78
12	ONE MANAGED INVESTMENT FUNDS LIMITED	2,160,637	0.77
13	BLOOM STAR INVESTMENT LIMITED	1,775,649	0.64
14	DESMOND TAK YAN SUN	1,750,000	0.63
14	KIN KEUNG LEE	1,750,000	0.63
15	MR DAVID MINGORANCE	1,220,000	0.44
16	MR BARRY ROWLAND BUTLER & MRS JULIE BUTLER	1,162,107	0.42
16	IAE STUDY IN AUSTRALIA PTY LTD	1,000,000	0.36
16	MR COLIN FRANK WEST	1,000,000	0.36
17	MR CARLO BATTISTI	1,000,000	0.36
18	RICHARD LEWIS JOHNSON	781,250	0.28
19	MR JAMES SINTON SPENCE	767,100	0.27
20	J & C BRENNAN SUPERANNUATION FUND PTY LTD	750,000	0.27
	Top 20 total	217,291,226	77.75
	Balance of register	62,173,549	22.25
	Total issued capital	279,464,775	100.00

Source: Company

5.33 Freefire holds a direct interest in 57.28% of the Company and Mr Chan holds 564,000 Shares through HSBC, representing a further 0.20% on an undiluted basis.

5.34 The Company has the following options on issue:

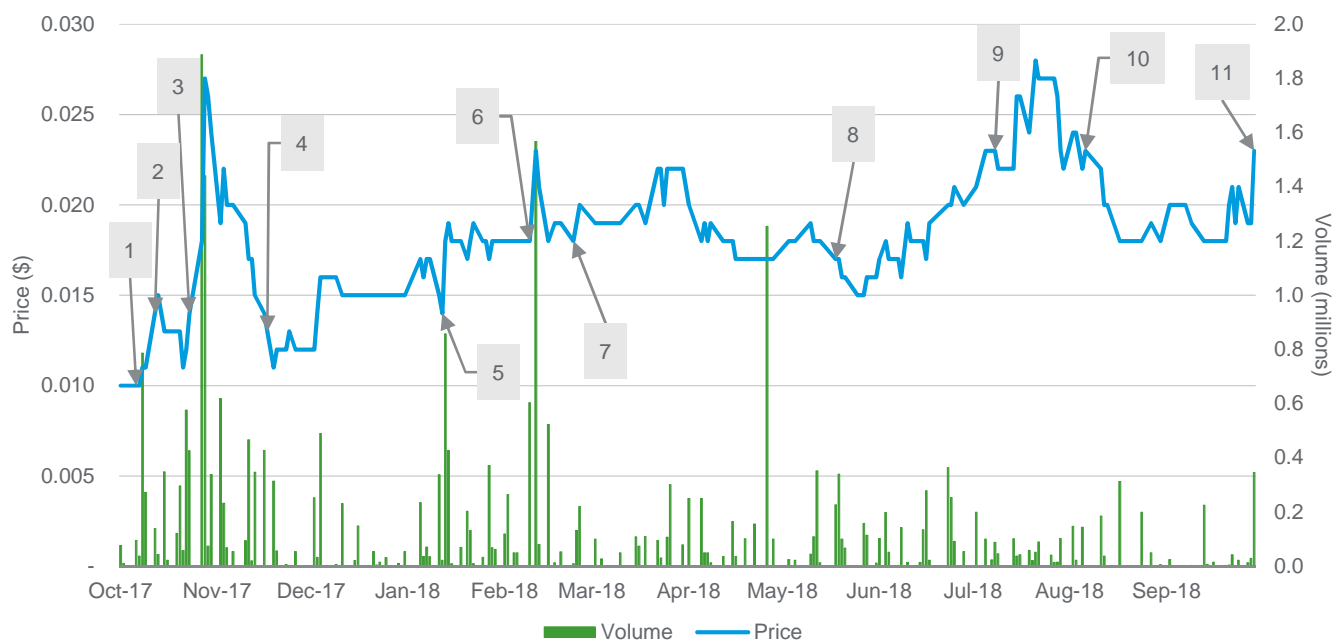
- 13.6 million options exercisable at \$0.25 on or before 27 July 2019; and
- 9.0 million options exercisable at \$0.125 on or before 12 July 2020.

5.35 The Company also has 37.2 million performance rights on issue which will vest upon reaching gold production and resource targets and share price targets of \$0.02, \$0.03 and \$0.04 for 20 consecutive trading days.

Share price performance

5.36 The figure below sets out a summary of Crater closing share prices and traded volumes for the 12 months to 24 October 2018.

Figure 2 Crater daily closing share price and traded volumes



Source: S&P Capital IQ/ ASX

5.37 In the 12-month period to 24 October 2018, Crater shares traded between \$0.028 and \$0.011 per share. During this period 19.0% of the Company's shares were traded, indicating the Shares have low liquidity.

5.38 The most significant trading day occurred on 21 November 2017, where approximately 0.7% of the Company's shares were traded.

5.39 Significant announcements have been noted in the chart above and are discussed below.

No.	Date	Comments
1	31-Oct-17	Crater announced that the new 9:2 rights issue was put on hold as it was being reviewed, along with other funding alternatives.
2	6-Nov-17	Crater announced that it had commenced an exploration programme at its A2 Polymetallic Project in Croydon, Queensland, following positive drilling results.
3	20-Nov-17	Crater announced that it had secured up to \$4 million in funding under a new unsecured loan facility which would be directed to advancing both exploration activities and the restart of mining operations at the Company's flagship Crater Mountain project, and exploration at Company's Polymetallic and Graphite projects.
4	13-Dec-17	Crater announced the completion of its graphite drilling program and advised that half of its core samples of mineralised intervals were in transit to Brisbane to be tested for graphite carbon and gold.
5	7-Feb-18	Crater announced the results of the Company's drilling program at their Golden Gate project which confirmed the presence of previously reported thick intervals of graphite mineralisation.
6	8-Mar-18	Crater announced that it had received approval from the Mineral Resources Authority of Papua New Guinea to recommence operations on its Crater Mountain project.
7	20-Mar-18	Crater announced that it had commenced graphite scoping test work following on from the Golden Gate Project drilling program.
8	12-Jun-18	Crater announced that it had received encouraging Spatiotemporal Geochemical Hydrocarbon soil sampling results at the A5 Anomaly Prospect
9	2-Aug-18	Crater announced that it had executed a new \$1.5 million loan agreement with Freefire. The Company plans to use these funds to complete its final development activities of the adit 1930RL of the High Grade Zone at the Crater Mountain Project.
10	31-Aug-18	Crater announced a proposal for the conversion of \$12.0 million of debt payable to Freefire into 12 million non-voting Redeemable Convertible Preference Shares issued at \$1.00 each.
11	24-Oct-18	Crater provided an update in relation to its Crater Mountain Gold Mining Project which included the completion of its 1930m RL adit development.

6. Profile of Freefire

Background

- 6.1 Freefire is a Hong Kong-based investment company controlled by Mr Sam Chan and is the largest shareholder of Crater, with a relevant interest of 57.28% prior to the Proposed Transaction.
- 6.2 Freefire has funded the Company through the Freefire Loans which are expected to total approximately \$15 million immediately prior to the Proposed Transaction. Following completion of the Proposed Transaction, the balance of the loan of approximately \$1.75 million will remain outstanding.

7. Valuation approach

Basis of evaluation

- 7.1 The valuation of Crater prior to and post the Proposed Transaction has been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

Valuation methodologies

- 7.2 In assessing the Fair Market Value of an ordinary Crater Share prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

- 7.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

- 7.4 Market based methods estimate the Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- the quoted price for listed securities; and
- industry specific methods.

- 7.5 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

- 7.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair market value of a company than other market-based valuation methods because they may not account for company specific risks and factors.

Income based methods

- 7.7 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow; and
- capitalisation of future maintainable earnings.

- 7.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast

period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

- 7.9 The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset based methods

- 7.10 Asset based methodologies estimate the Fair Market Value of a company’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

- 7.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

- 7.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

- 7.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company’s assets are liquid, or for asset holding companies.

Selection of valuation methodologies

Valuation of a Crater Share prior to the Proposed Transaction (control basis)

- 7.14 In assessing the value of a Crater Share prior to the Proposed Transaction, we have selected the following valuation methodologies:

- sum of parts method which estimates the value of a Crater share by valuing the various assets and liabilities of Crater and aggregating the values (primary method); and
- quoted prices of listed securities (secondary method).

- 7.15 We have selected these methodologies as Crater is loss-making and not expected to generate positive cash flows in the short term, therefore income based methods are not appropriate.

Primary method – sum of parts

- 7.16 The sum of parts method comprises:

- Exploration assets – independent valuations of:

- the Crater Mountain Project prepared by Mining Associates Pty Ltd (“Mining Associates”) discussed in paragraph 8.6 below; and
- the Golden Gate and Croydon Projects prepared by SRK Consulting (Australasia) Pty Ltd (“SRK”) discussed in paragraph 8.9 below; and
- For all other assets and liabilities – net assets on a going concern basis.

7.17 We have instructed Mining Associates to act as an independent specialist to value the Crater Mountain Project held by Crater. Mining Associates adopted the following valuation methodologies in determining a range of values for the project:

- Comparable transactions analysis; and
- Yardstick (rule-of-thumb) method based on recent transactions and spot prices.

7.18 We have instructed SRK to act as an independent specialist to value the Croydon Project held by Crater. SRK adopted the following valuation methodologies in determining a range of values for the project:

- Comparable transactions analysis; and
- Geoscientific rating.

7.19 Further information on Mining Associates’ and SRK’s adopted methodologies and valuations can be found in their full reports included at Appendices D and E, respectively.

Secondary method – quoted price of listed securities

7.20 Crater’s Shares are listed on the ASX. We have also utilised the quoted market price methodology as a secondary valuation methodology to provide a cross-check to our primary valuation. The quoted market price valuation will include a premium for control.

Valuation of a Crater Share post the Proposed Transaction (non-control basis)

7.21 In assessing the value of Crater post the Proposed Transaction, we have used the pre-Proposed Transaction value and included the impact of the Proposed Transaction assuming it proceeds. We have assessed this under two scenarios:

- Assuming full subscription of the Rights Offer, raising the full \$23.055 million and full participation of the Non-Associated Shareholders (“Full Subscription”); and
- Assuming subscription to the Rights Offer is taken up only by Freefire and Mr Chan taking their full entitlements (i.e. no participation by the Non-Associated Shareholders in the Rights Offer) (“Subscribers Only”).

7.22 To each scenario, we have then made the following adjustments:

- Reflected the cash raised and debt settled through completion of the Rights Offer;
- Estimated the costs relating to the Proposed Transaction; and
- Included the total Shares on issue following the Proposed Transaction under each scenario.

7.23 We have then assessed the value of a Crater Share post the Proposed Transaction on a non-controlling basis by adjusting for a minority discount.

8. Valuation of Crater prior to the Proposed Transaction

8.1 As stated at paragraph 7.14 we have assessed the value of a Crater Share prior to the Proposed Transaction on a sum of parts basis and have also considered the quoted price of its listed securities. In both valuations, we have included a premium for control.

Sum of parts valuation

8.2 We have assessed the value of a Crater Share on a control basis to be \$nil per Share (undiluted), prior to the Proposed Transaction, based on the sum of parts valuation methodology, as summarised in the table below.

Table 8 Assessed Fair Value of a Crater Share

\$000's	Ref	Audited 30-Jun-18	Low	High	Preferred
Net assets (control basis)	5.24	(6,103)	(6,103)	(6,103)	(6,103)
Less: book value of exploration assets at 30 June 2018	5.25		(9,014)	(9,014)	(9,014)
Add: fair value of exploration assets	8.5		3,980	13,000	9,690
Add: book value of debt at 30 June 2018	5.26		13,679	13,679	13,679
Less: current value of debt	8.13		(15,000)	(15,000)	(15,000)
Net assets (control basis)		(6,103)	(12,458)	(3,438)	(6,748)
Number of Shares on issue pre Proposed Transaction	5.32		279,464,775	279,464,775	279,464,775
Value per Share			-	-	-

Source: RSM analysis

8.3 Our assessment has been based on the net liabilities of the Company as at 30 June 2018 of approximately \$6.1 million as provided to us in the Company's audited financial statements.

8.4 In order to calculate the current market value of Crater's Shares, we have made a number of adjustments to the carrying values of Crater's exploration assets and net debt (total debt less cash) included in the Statement of Financial Position. These adjustments are set out below.

Exploration assets

8.5 The exploration assets of Crater, comprising the Crater Mountain Project and the Croydon Project have been valued at between \$4.0 million and \$13.0 million, with a preferred valuation of \$9.7 million, as set out in the table below.

Table 9 Assessed Fair Value of Crater's exploration assets

\$000's	Ref	Low	High	Preferred
Value of Crater Mountain Project	8.8	3,300	11,200	8,400
Value of Golden Gate Project	8.11	180	800	490
Value of Croydon Project (Polymetallic)	8.11	500	1,000	800
Exploration assets		3,980	13,000	9,690

Source: Mining Associates Report, SRK Report and RSM analysis

8.6 The assessed range of values of Crater's 100% interest in the Crater Mountain Project has been independently assessed by Mining Associates in their report dated 22 October 2018. In valuing the exploration

potential associated with the Crater Mountain Project, Mining Associates applied both the comparable transactions and yardstick methods which were deemed appropriate for exploration tenements such as the Crater Mountain Project.

- 8.7 Mining Associates carried out an analysis of market transactions involving similar gold assets internationally. Mining Associates then assigned an implied dollar per ounce value of contained gold to calculate the implied value of exploration potential for the Crater Mountain Project.
- 8.8 Mining Associates determined a valuation range of between \$3.3 million and \$11.2 million with a preferred valuation of \$8.4 million. The valuation is attached at Appendix D.
- 8.9 The assessed range of values of Crater's 100% interest in the Croydon Project has been independently assessed by SRK in their report dated 25 October 2018. In valuing the exploration potential associated with the Croydon Project, SRK applied both the comparable transactions and geoscientific rating methods which were deemed appropriate for early stage exploration tenements such as the Croydon Project.
- 8.10 SRK carried out an analysis of market transactions involving similar polymetallic and graphite-gold assets internationally. SRK considered the exploration potential based on comparative transactions and also considered the geoscientific method for the Cordon and Golden Gate Projects.
- 8.11 SRK determined a valuation range of between \$0.2 million and \$0.8 million for the Golden Gate graphite-gold project and a range between \$0.5 million and \$1.0 million for the Croydon polymetallic project. The preferred valuation of the whole Croydon Project was \$1.3 million. The valuation is attached at Appendix E.

Other assets and liabilities

- 8.12 Other assets and liabilities as at 30 June 2018 comprise mostly plant and equipment and other financial assets. We have accepted their book value as being representative of fair market value.

Current value of debt

- 8.13 We have adjusted the debt position of the Company to capture additional interest accumulated and loans drawn down since 30 June 2018. The Company expects to owe approximately \$15.0 million to Freefire and other debt providers prior to the Rights Offer.

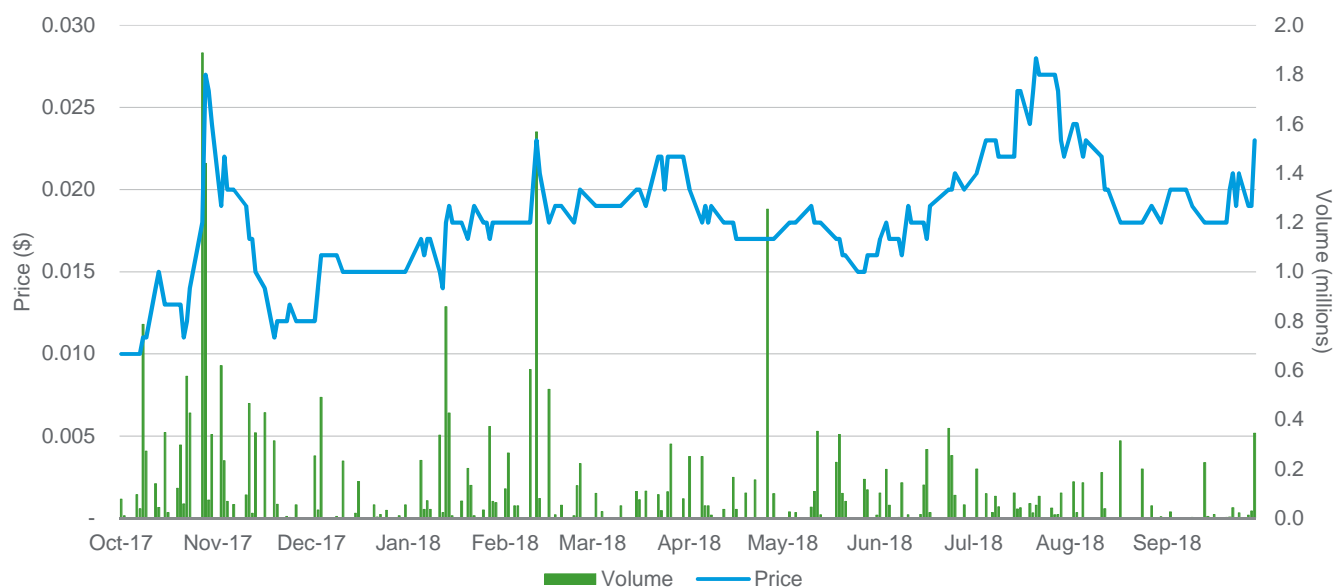
Quoted price of listed securities (secondary method)

- 8.14 In order to provide a comparison and cross check to our sum of parts valuation of Crater, we have considered the recent quoted market price for Crater shares on the ASX prior to the announcement of the Proposed Transaction.
- 8.15 Unless otherwise stated, the analysis in this section is based on the current capital structure of Crater.

Analysis of recent trading in Crater Shares

- 8.16 The figure below sets out a summary of the closing share price and volume of Crater Shares traded in the 12 months to 24 October 2018.

Figure 3 Crater daily closing Share price and traded volumes



Source: S&P Capital IQ/ ASX

- 8.17 During the 12-month period prior to 24 October 2018, Crater shares traded between \$0.028 and \$0.011 per share on relatively low levels of trading volume and closed at \$0.023 per share on 24 October 2018.
- 8.18 To provide further analysis of the quoted market prices for Crater's Shares, we have considered the VWAP over a number of trading day periods ending 24 October 2018. An analysis of the volume in trading in Crater's Shares for the 1, 10, 30, 60, 90, and 180-day trading periods is set out in the table below:

Table 10 Traded volumes of Crater Shares to 24 October 2018

# of Days	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP	0.023	0.022	0.022	0.020	0.022	0.020	0.019	0.019
Total volume (000's)	345.7	412.6	479.8	999.0	2,567.0	4,908.2	8,030.0	14,418.5
Total volume as a % of total shares	0.12%	0.15%	0.17%	0.36%	0.92%	1.76%	2.87%	5.16%
Low price	0.022	0.019	0.018	0.018	0.018	0.015	0.015	0.015
High price	0.023	0.023	0.023	0.023	0.030	0.030	0.030	0.030

Source: S&P Capital IQ/ ASX

- 8.19 Under RG 111.69, for the quoted market price methodology to be considered a reliable valuation method there needs to be a deep market in the shares to reflect a liquid and active market. We consider regular trading, sufficient spread of shareholders and an annual trading volume of around 50% of total shares outstanding to generally indicate that a share is liquid, such that no single minority trade or substantial shareholder can influence the market capitalisation of a listed company.
- 8.20 During the year ended 24 October 2018, Crater Shares displayed a low volume of trading with approximately 19.0% of Shares traded.
- 8.21 Furthermore, the Company's free float of shares is approximately 32%, or 89.4 million shares, after taking into account Freefire, other strategic investors and Company employees and related parties, indicating a low spread of Shareholders who will be trading on a regular basis and allowing small share trades to move the market valuation of the Company with relatively small amounts of capital.

8.22 After considering these factors against RG 111.69, we consider the Company's Shares exhibit very low liquidity.

Value of Crater Share on a non-control minority basis

8.23 In our opinion and notwithstanding the comments above, the weighted average share price of Crater over the last 30 days is most reflective of the underlying value of a Crater Share. As such, we consider a range of values of between \$0.020 and \$0.023 (1 to 30-day VWAP) reflects the quoted market price valuation of a Crater Share on a minority basis prior to the Proposed Transaction.

Value of Crater Share on a control basis

8.24 Our valuation of a Crater Share, on the basis of the recent quoted market price including a premium for control is between \$0.025 and \$0.031, as summarised in the table below.

Table 11 Assessed value of a Crater Share – quoted price of listed securities

\$	Ref	Low	High	Preferred
Quoted market price	8.23	0.020	0.023	0.022
Premium for control (25% to 35%)	8.27	25%	35%	30%
Quoted market price - controlling value		0.025	0.031	0.028

Source: RSM analysis

Key assumptions

Control Premium

8.25 The value derived at paragraph 8.23 is indicative of the value of a marketable parcel of shares assuming the Shareholder does not have control of Crater. RG 111.11 states that when considering the value of a company's Shares the expert should consider a premium for control. If the Proposed Transaction is successful, Freefire's interest may increase to a maximum of 89.47% in the issued capital of Crater. Therefore, as explained in paragraph 7.20, our assessment of the Fair Value of a Crater Share must include a premium for control.

8.26 RSM has conducted a study on 463 takeovers and schemes of arrangements involving companies listed on the ASX over the 11 years ended 30 June 2016¹. In determining the control premium, we compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the date prior to the date of the offer.

8.27 In valuing an ordinary Crater Share prior to the Proposed Transaction using the quoted price of listed securities methodology, we have reflected a premium for control in the range of 25% to 35%, which is the average control premium range for resources companies.

Valuation summary and conclusion

8.28 A summary of our assessed values of an ordinary Crater Share on a control basis pre the Proposed Transaction, derived under the two methodologies, is set out in the table below.

¹ RSM Control Premium Study 2017

Table 12 Crater Share valuation summary

\$	Ref	Low	High	Preferred
Sum of parts basis	8.2	nil	nil	nil
Quoted market price	8.24	0.025	0.031	0.028
Preferred value of a Share pre-Proposed Transaction		nil	nil	nil

Source: RSM Analysis

- 8.29 In our opinion, we consider that the sum of parts valuation methodology provides a better indicator of the Fair Value of a Crater Share as we consider our analysis of the trading of Crater's Shares prior to the announcement of the Proposed Transaction indicates that the market for Crater's Shares is not deep enough to provide an assessment of their Fair Value using the quoted market price methodology.
- 8.30 Given the small market capitalisation of Crater, its lack of trading history and profitability and high-risk nature of its exploration assets, we consider the quoted market price methodology to be speculative in nature, in that it reflects investors' perception of the upside potential in the exploration prospects of the Company, rather than the Company's fundamental value at that point in time.
- 8.31 Further, we consider the Company's trading depth to be illiquid as discussed in paragraphs 8.19 to 8.22, and we therefore consider the sum of parts approach to be more reflective of the value of a Crater Share prior to the Proposed Transaction.
- 8.32 Therefore, in our opinion, the Fair Value of a Crater Share prior to the Proposed Transaction is \$nil on a controlling and undiluted basis.

9. Valuation of Crater after the Proposed Transaction

- 9.1 In our valuation of a Crater Share after the Proposed Transaction we have used the assessed value of Crater prior to the Proposed Transaction and included the impact of the Proposed Transaction, assuming it proceeds under both the Full Subscription and the Subscribers Only scenarios under the Rights Offer.
- 9.2 The values of a Crater Share following the Proposed Transaction under each scenario are set out in the tables below.

Table 13 Assessed value of Crater post the Proposed Transaction – Full Subscription

\$000's	Ref	Low	High	Preferred
Value of Crater pre Proposed Transaction	8.2	(12,458)	(3,438)	(6,748)
Cash raised and debt settled from Rights Offer	9.5	23,056	23,056	23,056
Estimated expenses of the Offer	9.6	(200)	(200)	(200)
Net assets (control basis)		10,397	19,417	16,107
Discount for minority interest (26% to 20%)	9.8	(2,703)	(3,883)	(3,705)
Net assets (minority basis)		7,694	15,534	12,403
Number of Shares on issue post Proposed Transaction	9.7	1,816,521,038	1,816,521,038	1,816,521,038
Value per Share	9.3	0.0042	0.0086	0.0068

Source: RSM Analysis

Table 14 Assessed value of Crater post the Proposed Transaction – Subscribers Only

\$000's	Ref	Low	High	Preferred
Value of Crater pre Proposed Transaction	8.2	(12,458)	(3,438)	(6,748)
Cash raised and debt settled from Rights Offer	9.5	13,254	13,254	13,254
Estimated expenses of the Rights Offer	9.6	(200)	(200)	(200)
Net assets (control basis)		595	9,615	6,305
Discount for minority interest (26% to 20%)	9.8	(155)	(1,923)	(1,450)
Net assets (minority basis)		440	7,692	4,855
Number of Shares on issue post Proposed Transaction	9.7	1,163,039,385	1,163,039,385	1,163,039,385
Value per Share	9.3	0.0004	0.0066	0.0042

Source: RSM Analysis

- 9.3 We consider that the minority value of a Crater Share post the Proposed Transaction is between \$0.0004 and \$0.0086 on an undiluted basis and including the Full Subscription and the Subscribers Only scenarios under the Rights Offer.
- 9.4 We have adjusted the net asset value and Shares on issue of Crater for the following:
- Funds raised under the Rights Offer*
- 9.5 We have included the total funds proposed to be raised under the Rights Offer of \$23.055 million assuming Full Subscription and \$13.25 million assuming subscription by the Subscribers Only. We note the majority of the Rights Offer funds will be used to settle the Freefire Loans.

Estimated costs of the Proposed Transaction

- 9.6 Costs estimated to be incurred in relation to the Proposed Transaction total \$0.2 million.

Number of Shares on issue post Proposed Transaction

- 9.7 Following completion of the Proposed Transaction, a total of 1,816,521,038 shares are expected to be on issue in the Company assuming Full Subscription and 1,163,039,385 shares are expected to be on issue assuming the Subscribers Only scenario.

Minority interest discount

- 9.8 In selecting a minority discount, we have given consideration to our control premium applied in paragraph 8.27, where we established a range for a control premium of between 25% and 35%. The resulting corresponding minority discount range based on said control premiums is between 20% and 26% in each scenario.

Company options and performance rights on issue

- 9.9 We have not considered the impact of the existing Company options and performance rights on issue following completion of the Proposed Transaction because their exercise prices and share price targets exceed the values calculated above.

10. Is the Proposed Transaction Fair to Crater Shareholders?

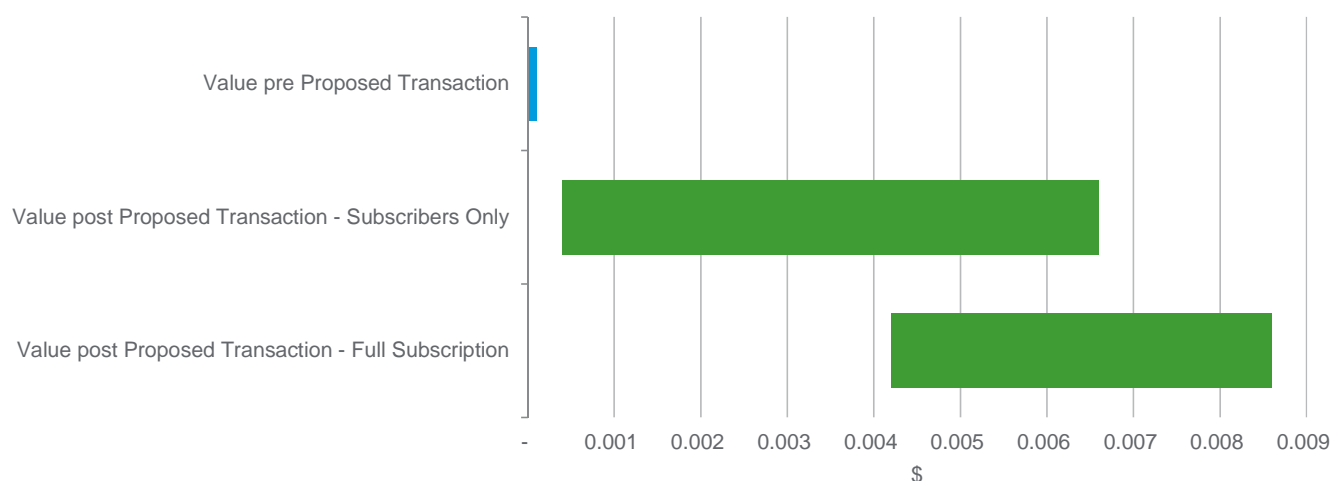
10.1 Our assessed values of a Crater Gold Share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

Table 15 Assessed values of a Crater Share pre and post the Proposed Transaction

Assessment of fairness	Ref	Value per Share	
		Low \$	High \$
Fair value of a Crater Share pre the Proposed Transaction – Control basis	8.2	\$nil	\$nil
Fair value of a Crater Share post the Proposed Transaction – Non control basis:			
- Assuming full subscription of the Rights Offer	9.3	\$0.0042	\$0.0086
- Assuming only the Subscribers subscribe to the Rights Offer	9.3	\$0.0004	\$0.0066

Source: RSM analysis

Table 16 Crater Share valuation graphical representation



Source: RSM Analysis

10.2 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with s611 of the Act, we consider the Proposed Transaction to be **fair** to the Non-Associated Shareholders of Crater as the value of a Crater Share post the Proposed Transaction is greater than the value of a Crater Share prior to the Proposed Transaction.

11. Is the Proposed Transaction Reasonable to Shareholders?

11.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of Crater if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of Crater if the Proposed Transaction does not proceed

11.2 If the Proposed Transaction does not proceed then the Company will have to seek additional funding options in order to settle its debts and raise adequate working capital to continue exploration operations on its Crater Mountain and Croydon Projects.

11.3 If no other funding arrangements are found, the Company may have to enter into administration or seek other restructuring or recovery options in order to settle its debts.

Advantages and disadvantages

11.4 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds, then if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

11.5 The key advantages of the Proposed Transaction are:

Advantage	Details
The Proposed Transaction is fair	RG 111 states if the Proposed Transaction is fair it is reasonable.
Settlement of debt to Freefire	The debt due to Freefire is currently more than double the market capitalisation of the Company. This has detracted from the Company's ability to attract additional capital, particularly as the Company has generated little or no revenue with which to pay down the debt to Freefire. The Board (other than Sam Chan who offers no opinion) is of the view that paying down \$13.25 million of the debt owing to Freefire will strengthen the Company's balance sheet and assist the Company's efforts to access additional capital.
Avoid the potential of being placed into administration	If the Proposed Transaction is not approved and no other funding arrangements are found, the Company may have to enter into administration or seek other restructuring or recovery options in order to settle its debts.
Increased working cash and working capital for operations	If the Proposed Transaction is successful and the full \$23.055 million is raised under the Rights Offer, after settlement of the company's debts there will be sufficient working capital remaining to continue exploration activities on the Company's Crater Mountain and Croydon Projects.

Disadvantages of approving the Proposed Transaction

11.6 The key disadvantages of the Proposed Transaction are:

Disadvantage	Details
The Non-Associated Shareholders' interests in the Company may be diluted	If the Non-Associated Shareholders do not participate in the Rights Offer, the interest of the Non-Associated Shareholders may be reduced from 42.5% to as low as 10.2% following the completion of the Rights Offer and assuming no Non-Associated Shareholders take up their entitlement.
Freefire and Mr Chan may hold an interest up to 89.78% in the Company	<p>Assuming only Freefire and Mr Chan participate in the Rights Offer, Freefire and Mr Chan will move to a position where they have a relevant interest in 89.78% of the Shares in the Company. Accordingly, Freefire will have an increased level of control over the Company including being able to pass special resolutions of shareholders.</p> <p>Further, after six months Freefire and Mr Chan have the ability increase their interest above 90% under the creep provisions of the Act and potentially be in a position to compulsorily acquire all other Shares in the Company.</p>
The Company may be a less attractive investment for outside capital	If the Proposed Transaction is completed and Freefire and Mr Chan hold a maximum interest of 89.78%, an investment in the Company may be less attractive as potential new investors may be foregoing the potential for a future control premium and the 'overhang' of a controlling shareholder may dissuade outside investment.

Alternative proposal

11.7 We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of Crater a greater benefit than the Proposed Transaction.

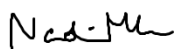
Conclusion on Reasonableness

11.8 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Crater.

11.9 An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD



N MARKE
Director



G YATES
Director



APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Ms. Nadine Marke and Mr Glyn Yates are directors of RSM Corporate Australia Pty Ltd. Both Ms Marke and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Crater Gold Mining Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Nadine Marke, Glyn Yates, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$30,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of Crater Gold Mining Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

RSM Australia Partners are the auditors of Crater Gold Mining Limited.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Draft copies of the Notice of Meeting;
- Audited financial statements for Crater for the years ended 30 June 2017 and 30 June 2018;
- Review financial statements for Crater for the half-year ended 31 December 2017;
- ASX announcements of Crater;
- S&P Capital IQ database; and
- Discussions with Directors, Management and staff of Crater.

C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
Company	Crater Gold Mining Limited
Control basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Crater	The Company
Crater Mountain Project	The Company's gold exploration project located in the Papua New Guinea
Directors	Directors of the Company
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
Freefire	Freefire Technology Limited
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
IER	This Independent Expert Report
Mining Associates	Mining Associates Pty Ltd, independent geologists
Non-Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
Option or Options	Unlisted options to acquire Shares with varying vesting conditions
Proposed Transaction	Freefire and the Company's Chairman Mr Sam Chan taking up their entitlements under the Rights Offer
Report	This Independent Expert's Report prepared by RSM dated [insert]
Resolution	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
Rights Offer	The proposed 11:2 Renounceable Rights Issue to raise up to \$23.055 million at \$0.015 per share
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third-party provider of company and other financial information
Share or Crater Share	Ordinary fully paid share in the capital of the Company

Term or Abbreviation	Definition
Shareholder	A holder of Share
SRK	SRK Consultants (Australasia) Pty Ltd, independent geologists
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015)
VWAP	Volume weighted average share price

D. MINING ASSOCIATES INDEPENDENT SPECIALIST REPORT

REPORT ON THE MARKET VALUATION OF THE CRATER MOUNTAIN GOLD PROJECT, PAPUA NEW GUINEA



Crater Mountain Site Office and Accommodation, Sept 2016

Prepared by Mining Associates Pty Ltd
for
RSM Corporate Australia Pty Ltd ("RSM")

Author:
Andrew Vigar, B App.Sc.(Geol), F.AusIMM, F.AIG, M.SEG
Effective Date: 22 October 2018
Reference: MA1822-1

TABLE OF ACRONYMS

AUD	Australian Dollar
BSc.	Bachelor of Science Degree
CAD	Canadian Dollar
CGN	Crater Gold Mining Limited
DDH	Diamond drill hole
DEM	Digital Elevation Model
EL	Exploration Licence
FAIG	Fellow of the Australian Institute of Geoscientists
FAusIMM.	Fellow of the Australasian Institute of Mining and Metallurgy
JV	Joint Venture
km	Kilometre
km ²	Square kilometre
LME	London Metal Exchange
M	Million
m	Metre
MAIG	Member of the Australian Institute of Geoscientists
ML	Mining Lease
MSc	Master of Science degree
QA/QC	Quality Assurance/Quality Control
RC	Reverse Circulation (drilling)
SEDAR	System for Electronic Document Analysis and Retrieval
SG	Specific Gravity
USD	United States Dollar
UTM	Universal Transverse Mercator
VALMIN	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2015 Edition)
WGS84	World Geodetic System 1984

TABLE OF CONTENTS

1	SUMMARY	1
2	INTRODUCTION AND TERMS OF REFERENCE	3
2.1	COMMISSIONING ENTITY AND SCOPE	3
2.2	VALUATION MANDATE	3
2.3	PURPOSE.....	3
2.4	VALUATION DATE	3
2.5	QUALIFIED VALUATOR AND QUALIFIED PERSON	3
2.6	DEFINITION OF VALUATION TYPES	4
2.7	OTHER DEFINITIONS USED IN THE REPORT	5
2.8	INFORMATION USED	7
2.9	SITE VISIT BY QUALIFIED PERSON	8
2.10	COMPLIANCE WITH THE VALMIN CODE.....	8
3	PROPERTY DESCRIPTION	8
3.1	LOCATION AND ACCESS.....	9
3.2	CLIMATE.....	10
4	EXPLORATION HISTORY.....	10
4.1	WORK CARRIED OUT BY GOLD ANOMALY/CRATER GOLD	11
5	GEOLOGY AND MINERALISATION.....	12
5.1	REGIONAL GEOLOGY	12
5.2	LOCAL GEOLOGY.....	13
5.3	MINERALISATION.....	13
5.3.1	Nevera Prospect.....	13
5.3.2	Nimi Prospect	15
5.3.3	Masi Creek Prospect.....	15
5.3.4	Awaunita Prospect	15
5.4	METALLURGICAL TESTWORK.....	16
5.5	DEPOSIT TYPES.....	16
6	MINERAL RESOURCES	16
7	MINING OPERATIONS AND PRODUCTION	17
8	EXPLORATION POTENTIAL.....	17
9	VALUATION.....	19
9.1	CURRENCY AND EXCHANGE RATES	19
9.2	DATABASE.....	19
9.3	MARKET AND EMPIRICAL APPROACHES – COMPARABLE TRANSACTIONS, GOLD PROJECTS WITH RESOURCES	19
9.3.1	Discussion.....	20
10	VALUATION SUMMARY.....	24
11	REFERENCES.....	24
12	GENERAL GLOSSARY OF TECHNICAL TERMS	25
13	CERTIFICATE OF QUALIFICATIONS	29

Figures

Figure 1. Location of Crater Mountain Gold Project.....	8
Figure 2. Crater Mountain Project Tenements	10
Figure 3. Regional geology of Crater Mountain	13
Figure 4. Nevera Prospect Mineralisation Zones.....	14

Tables

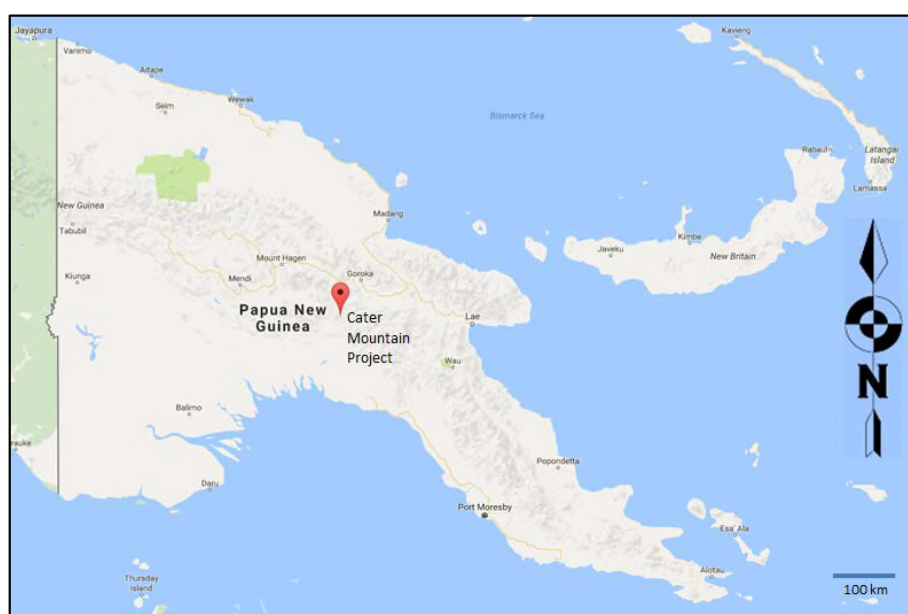
Table 1. Summary of Valuation, Crater Mountain Project.	2
Table 2. Crater Gold Limited –Mineral Tenements in Papua New Guinea.....	9
Table 3. Summary of Drilling by Project Owner.....	11
Table 4. Summary of Mineral Resources, Crater Mountain Gold Project.	17
Table 5. Summary of Comparable Transactions, Gold Projects with Resources.	22
Table 6. Summary of Valuation, Crater Mountain Project.	24

1 SUMMARY

This report is an independent technical review prepared at the request of RSM Corporate Australia Pty Ltd (“RSM”) to provide an opinion as to the current market value of the Crater Mountain gold project in Papua New Guinea.

The Directors of Crater Gold Mining Ltd (“CGN”) have engaged RSM Corporate Australia Pty Ltd (“RSM”) to prepare an Independent Expert’s Report (IER) in relation to a proposed renounceable rights issue (“Proposed Transaction”). RSM in turn commissioned Mining Associates Pty Ltd (“MA”) to prepare an Independent Valuation Report in relation to the Crater Mountain Gold Project in Papua New Guinea. The valuation report is to be appended to the IER, and as such, will become a public document. MA has conducted the technical review and valuation assessment in accordance with the VALMIN Code (2015).

The Crater Mountain gold project is located within the eastern part of Papua New Guinea, 50 km southwest of the provincial capital, Goroka. The Project comprises six exploration licences (“EL”) and one mining lease (“ML”) covering a combined area of 306.9 km². All licenses are owned 100% by Anomaly Ltd, a wholly-owned subsidiary of CGN registered in Papua New Guinea.



Evidence of gold and base metal mineralisation was discovered in the Crater Mountain area in the 1970s. Since that time extensive exploration has been undertaken on the Project area including stream sediment and soil geochemical sampling, rock chip sampling, historical shallow benching, bulldozer and excavator benching, channel sampling of benches and diamond drilling.

Mineralisation occurs as veins, stockworks and hydrothermal breccias in four main prospects within the Project licences. To date, the Nevera prospect has been the main focus of exploration activity, with three main mineralisation targets: Mixing Zone low-sulphidation epithermal gold, High Grade Zone (HGZ) high-sulphidation epithermal gold narrow veins, and potential porphyry copper-gold postulated at depth.

In total 60 diamond drill holes have been completed in the Project area for 16,978 m. This drilling was the basis for two mineral resource estimates on separate mineralised zones: the Mixing Zone in 2012 and the HGZ in 2016. Resource estimates are summarised in the table below.

Zone	JORC Resource Category	Tonnes	Gold Grade (g/t)	Contained gold (ounces)
HGZ	Inferred	44,500	11.9	17,100
Mixing Zone	Inferred	24,000,000	1.0	790,000
Total		24,044,500	1.0	807,100

CGN has been developing the HGZ as a small scale underground mine, with the strategy of re-investing profit into the on-going exploration of Nevera. Although mining is occurring, no reserves have been defined and for the purposes of this valuation MA considers the Project to be at an Advanced Exploration stage. The value attributable to the current mining operations and infrastructure are included as part of the overall project valuation, with MA thus giving a Preferred Value towards the higher end of the ranges suggested.

Based on an analysis of comparable transactions for CGN's Crater Mountain Project, the table below has been compiled. The "Preferred Market Value" column indicates the most preferable market value placed on the Project by MA. These values consider a large of number of variables and geographical location, and are not necessarily the median values of the high and low ranges.

Table 1. Summary of Valuation, Crater Mountain Project.

Market Approach						Preferred Market Value		
Comparable Transactions		Yardstick AUD/oz (recent transactions)		Yardstick AUD/oz (spot price)				
Low AUDM	High AUDM	Low AUDM	High AUDM	Low AUDM	High AUDM	Low AUDM	Preferred AUDM	High AUDM
3.3	9.6	4.1	11.2	5.2	10.5	3.3	8.4	11.2

Note: Valuations are rounded to nearest AUD0.1 M to reflect accuracy.

The Preferred value for CGN's Crater Mountain gold project asset is AUD8.4M, which is based on a consideration of ranges determined by Market Comparable Transactions.

2 INTRODUCTION AND TERMS OF REFERENCE

2.1 COMMISSIONING ENTITY AND SCOPE

The Directors of Crater Gold Mining Ltd (“CGN”) have engaged RSM Corporate Australia Pty Ltd (“RSM”) to prepare an Independent Expert’s Report (IER) in relation to a proposed renounceable rights issue (“Proposed Transaction”). RSM in turn commissioned Mining Associates Pty Ltd (“MA”) to prepare an Independent Valuation Report in relation to the Crater Mountain Gold Project in Papua New Guinea. The valuation report is to be appended to the IER, and as such, will become a public document.

MA has conducted the technical review and valuation assessment in accordance with the VALMIN Code (2015).

The scope of the Valuation included the following:

- Review of CGN’s Crater Mountain gold project in PNG, including but not limited to historical exploration expenditure, prospectivity, resources, exploration targets and good standing of the tenements.
- Report to be prepared in accordance with the VALMIN Code and for the specific purpose of determining the Project’s carrying value.

MA was not requested to comment on the Fairness or Reasonableness of any vendor or promoter considerations, and therefore no opinion on these matters has been offered.

2.2 VALUATION MANDATE

MA was requested to provide an Independent Valuation of CGN’s Crater Mountain gold project in PNG.

2.3 PURPOSE

The valuation report is to be appended to the Independent Expert’s Report (IER) in relation to a proposed renounceable rights issue (“Proposed Transaction”).

2.4 VALUATION DATE

Time-sensitive data used in this Valuation, including metal prices, cost-of-living indices etc. were taken as at 5pm Sydney time on 18th June, 2018. Accordingly, this valuation is valid as of 18th June 2018 and refers to the writer’s opinion of the value of the Projects at this date. Currency conversions for transaction amounts used the applicable exchange rate on the date of the transaction.

This valuation can be expected to change over time having regard to political, economic, market and legal factors. Most importantly, the valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs. The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

2.5 QUALIFIED VALUATOR AND QUALIFIED PERSON

This Valuation was prepared by Mr Andrew Vigar. Mr Vigar has no direct or indirect interest in the properties which are the subject of this Valuation, nor does he hold, directly or indirectly, any shares in CGN or any associated company, or any direct interest in any mineral tenements in Australia.

The technical review and valuation of the Project was conducted by Mr Andrew Vigar. Mr Vigar has sufficient experience which is relevant to the styles of mineralisation and deposits under consideration and to their valuation 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' (Australia) and is a Qualified Person as defined in NI43-101 (Canada). He is a Fellow of The Australasian Institute of Mining and Metallurgy (Melbourne) and a Member of the Society of Economic Geologists (Denver). Mr Vigar is employed by Mining Associates Pty Ltd of Brisbane, Australia.

2.6 DEFINITION OF VALUATION TYPES

The three generally accepted Valuation approaches under VALMIN are:

- Income Approach.
- Market Approach.
- Cost Approach.

The *Income Approach* is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property. This method provides an indication of the value of a property with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. Alternatively a value can be assigned on a royalty basis commensurate with the in situ contained metal value. Although underground development is ongoing at the Project, there are no declared mineral reserves that meet the standards of the JORC 2012 Code and MA considers the Income Approach is not an appropriate valuation method.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market. Methods include comparable transactions and option or farm-in agreement terms analysis. The terms of a proposed joint venture agreement may be used to provide a fair market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the property. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots properties are involved.

An extension to the Market Approach is to rate transactions in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration property based on current market prices for equivalent properties, existing or previous joint venture and sale agreements, the geological potential of the properties, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is sometimes termed a "Yardstick" approach. It allows recent transactions to be related to the property in question even if they are not strictly comparable in terms of size of resources and/or exploration area. However, the results should be confirmed using other methods.

The *Cost Approach* is based on the principle of contribution to value. The appraised value method is one commonly used method where exploration expenditures are analysed for their contribution to the exploration potential of the Mineral Property. The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. MEE factors typically range from 0 to 3.0 and occasionally up to 5.0 applied to previous exploration expenditure to derive a dollar value.

MA has adopted the Market Approach and its extension the Yardstick Approach as the principal bases for the properties included in this Valuation.

Valuation methodology of mineral properties is highly subjective. If an economic reserve or resource is subsequently identified then there is likely to be a substantial increase in the Project's value and this valuation will be dramatically low relative to any later valuations. Alternatively, if further exploration is unsuccessful it is likely that the Project's value will decrease and this valuation will be higher than later valuations.

Market Value is the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of VALMIN (2015).

There are a number of generally accepted procedures for establishing the value of mineral properties with the method employed depending upon the circumstances of the property. When relevant, MA uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified.

The readers should therefore form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved.

2.7 OTHER DEFINITIONS USED IN THE REPORT

Commissioning Entity means the organization, company or person commissioning a Valuation.

Competence or Competent means having relevant qualifications and relevant experience.

Current means current with respect to, and relative to, the Valuation Date.

Data Verification means the process of confirming that data has been generated with appropriate procedures, has been accurately transcribed from the original source and is suitable to be used.

Development Property means a Mineral Property that is being prepared for mineral production and for which economic viability has been demonstrated by a Feasibility Study or Prefeasibility Study and includes a Mineral Property which has a Current positive Feasibility Study or Prefeasibility Study but which is not yet financed or under construction.

Exploration Property means a Mineral Property that has been acquired, or is being explored, for mineral deposits but for which economic viability has not been demonstrated.

Fair Market Value means the highest price, expressed in terms of money or money's worth, obtainable in an open and unrestricted market between knowledgeable, informed and prudent parties, acting at arm's length, neither party being under any compulsion to transact.

Feasibility Study means a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

Guideline means a best practices recommendation, which, while not mandatory in the Valuation of Mineral Properties, is highly recommended.

Independence or Independent means that, other than professional fees and disbursements received or to be received in connection with the Valuation concerned, the Qualified Valuator or Qualified Person (as the case requires) has no pecuniary or beneficial (present or contingent) interest in any of the Mineral Properties being valued, nor has any association with the Commissioning Entity or any holder(s) of any rights in Mineral Properties which are the subject of the Valuation, which is likely to

create an apprehension of bias. The concepts of “Independence” and “Independent” are questions of fact. For example, where a Qualified Valuator’s fees depend in whole or in part on an understanding or arrangement that an incentive will be paid based on a certain value being obtained, such Qualified Valuator is not Independent.

Materiality and Material refer to data or information which contribute to the determination of the Mineral Property value, such that the inclusion or omission of such data or information might result in the reader of a Valuation Report coming to a substantially different conclusion as to the value of the Mineral Property. Material data and information are those which would reasonably be required to make an informed assessment of the value of the subject Mineral Property.

Mineral Property means any right, title or interest to property held or acquired in connection with the exploration, development, extraction or processing of minerals which may be located on or under the surface of such property, together with all fixed plant, equipment, and infrastructure owned or acquired for the exploration, development, extraction and processing of minerals in connection with such properties. Such properties shall include, but not be limited to, real property, unpatented mining claims, prospecting permits, prospecting licences, reconnaissance permits, reconnaissance licences, exploration permits, exploration licences, development permits, development licences, mining licences, mining leases, leasehold patents, crown grants, licences of occupation, patented mining claims, and royalty interests

Mineral Reserves and Mineral Resources. The terms Mineral Reserve, Proven Mineral Reserve, Probable Mineral Reserve, Mineral Resource, Measured Mineral Resource, Indicated Mineral Resource, and Inferred Mineral Resource and their usage have the meaning ascribed by the JORC Code (2012).

Mineral Resource Property means a Mineral Property which contains a Mineral Resource that has not been demonstrated to be economically viable by a Feasibility Study or Prefeasibility Study. Mineral Resource Properties may include past producing mines, mines temporarily closed or on care-and-maintenance status, advanced exploration properties, projects with Prefeasibility or Feasibility Studies in progress, and properties with Mineral Resources which need improved circumstances to be economically viable.

Prefeasibility Study and Preliminary Feasibility Study mean a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating, economic factors and the assessment of other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve. A Prefeasibility Study is at a lower confidence level than a Feasibility Study.

Preliminary Assessment means a preliminary economic study by a Qualified Person that includes Inferred Mineral Resources. The Preliminary Assessment must include a statement that the Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, outlines the basis for the Preliminary Assessment and any qualifications and assumptions made, and specifies that there is no certainty that the Preliminary Assessment will be realized.

Production Property is a Mineral Property with an operating mine, with or without processing plant, which has been fully commissioned and is in production.

Professional Association is a self-regulatory organization of engineers, geoscientists or both engineers and geoscientists that (a) has been given authority or recognition by law; (b) admits members primarily on the basis of their academic qualifications and experience; (c) requires

compliance with the professional standards of competence and the code of ethics established by the organization; and (d) has disciplinary powers, including the power to suspend or expel a member.

Qualified Person is an individual who (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operations or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the Technical Report; and (c) is a member in good standing of a Professional Association

Qualified Valuator is an individual who (a) is a professional with demonstrated extensive experience in the Valuation of Mineral Properties, (b) has experience relevant to the subject Mineral Property or has relied on a Current Technical Report on the subject Mineral Property by a Qualified Person, and (c) is regulated by or is a member in good standing of a Professional Association or a Self-Regulatory Professional Organization.

Reasonableness, in reference to the Valuation of a Mineral Property, means that other appropriately qualified and experienced valuers with access to the same information would value the property at approximately the same range. A Reasonableness test serves to identify Valuations which may be out of step with industry standards and industry norms. It is not sufficient for a Qualified Valuator to determine that he or she personally believes the value determined is appropriate without satisfying an objective standard of proof.

Report Date means the date upon which the Valuation Report is signed and dated.

Self-Regulatory Professional Organization means a self-regulatory organization of professionals that (a) admits members or registers employees of members primarily on the basis of their educational qualifications, knowledge and experience; (b) requires compliance with the professional standards of competence and code of ethics established by the organization; and (c) has disciplinary powers, including the power to suspend or expel a member or an employee of the member.

Standard means a general rule which is mandatory in the Valuation of Mineral Properties.

Technical Report means a report prepared, filed and certified in accordance with NI 43-101 and Form 43-101F1 Technical Report or JORC Code (2012) guidelines.

Transparency and Transparent means that the Material data and information used in (or excluded from) the Valuation of a Mineral Property, the assumptions, the Valuation approaches and methods, and the Valuation itself must be set out clearly in the Valuation Report, along with the rationale for the choices and conclusions of the Qualified Valuator.

Valuation is the process of estimating or determining the value of a Mineral Property.

Valuation Date means the effective date of the Valuation, which may be different from the Report Date or from the cut-off date for the data used in the Valuation.

Valuation Report means a report prepared in accordance with the VALMIN (2015) Standards and Guidelines.

2.8 INFORMATION USED

CGN made available all information that, in MA's opinion, was relevant and material to the Valuation. Although Mining Associates has made diligent efforts to cross-check and compare the CGN data with available material from other sources, the reader should bear in mind that this report is, by its nature, heavily reliant on the data supplied by CGN.

Maps in this report are generally in Universal Transverse Mercator ("UTM") projection. Maps shown in this report are for illustration only, and should not be relied upon for navigation.

2.9 SITE VISIT BY QUALIFIED PERSON

Mr Andrew Vigar visited the Crater Mountain project in 2013. A more recent visit by another MA employee, Mr Ian Taylor, was made in 2016. Mr Vigar is familiar with the geology, mineralisation and resource estimates at the Project and consulted with Mr Taylor during the preparation of this report.

2.10 COMPLIANCE WITH THE VALMIN CODE

This Valuation complies with the VALMIN Code (2015 Edition) in its entirety. The author has taken due note of Regulatory Guide ("RG") 111 "Content of Expert Reports" (October 2007 & March 2011) and RG 112 "Independence of Experts" (March 2011 update) promulgated by the Australian Securities and Investments Commission ("ASIC") and this report meets the guidelines set out in RG 111 and RG 112.

3 PROPERTY DESCRIPTION

The Project is located within the eastern part of Papua New Guinea, 50 km southwest of Goroka, the provincial capital of the Eastern Highlands Province (Figure 1). The Project comprises six exploration licences ("EL") and one mining lease ("ML") covering a combined area of 306.58 km², as detailed in Table 2. All licenses are owned 100% by Anomaly Ltd, a wholly-owned subsidiary of CGN registered in Papua New Guinea.

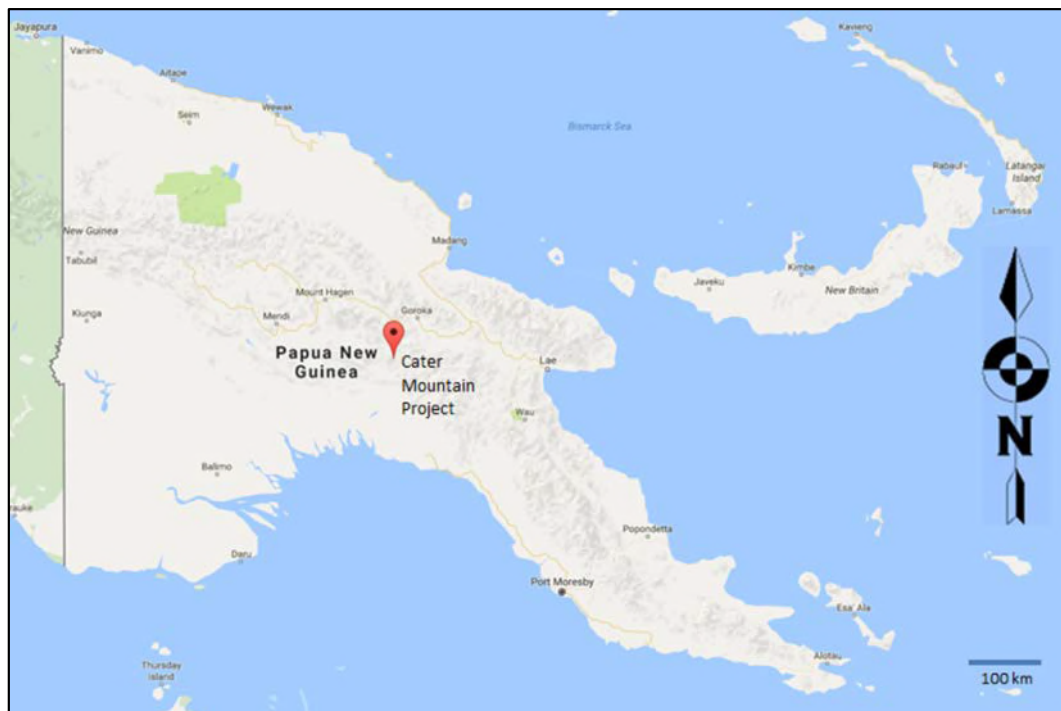


Figure 1. Location of Crater Mountain Gold Project.

(Source: Google Maps, 2017)

Table 2. Crater Gold Limited –Mineral Tenements in Papua New Guinea.
(Anomaly Limited is CGN’s 100% owned PNG subsidiary)

Particulars	Project Name	Registered Holder	% Owned	Status	Expiry	Area (Km ²)
EL 1115	Crater Mountain	Anomaly Ltd	100	Granted	25/09/2018	41
EL 2203	Ubaigubi	Anomaly Ltd	100	Renewal lodged	10/09/2017	88
EL 2249	Crater Mountain	Anomaly Ltd	100	Renewal lodged	10/11/2017	10
EL 2318	South Crater	Anomaly Ltd	100	Renewal lodged	10/09/2017	20
EL 2334	Crater Mountain	Anomaly Ltd	100	Renewal lodged	21/05/2017	68
EL 2335	Crater Mountain	Anomaly Ltd	100	Renewal lodged	22/05/2017	78
ML 510	Crater Mountain	Anomaly Ltd	100	Granted	4/11/2019	1.58

All licences are in good standing or under renewal processes and MA has confirmed their status by referencing the online database of the Mineral Resources Authority of Papua New Guinea. ML510 covers the Nevera prospect, which includes all defined mineral resources in the Project and is CGN’s current focus of exploration and development.

ML510 is effective to November 4, 2019 and EL1115 expired is current until September 25, 2018. The Company has applied for a renewal for the remainder of the tenements, which are currently being processed. There are no royalties payable on the Project other than those payable to the Government of Papua New Guinea. There are no underlying leases, liens, payments or other encumbrances associated with the Project. All necessary permits in order to carry out mining operations on the Project are held by CGN.

Agreements are in place with local landowners to access the land to carry out mining and exploration. There are no environmental issues associated with the Crater Mountain project.

3.1 LOCATION AND ACCESS

The Project licences straddle the border between the Eastern Highlands and Simbu provinces of Papua New Guinea. The Project is located approximately 50 km southwest of the town of Goroka, the Regional Centre for the Eastern Highlands Province, and approximately 400 km northwest of the capital city of Port Moresby.

The Project is located in a remote location and access can be difficult. The principal modes of access to site are via a 20 minute helicopter ride from Goroka, or by light fixed wing aircraft from Goroka to the airstrip at Gwasa village followed by a 60 minute carry to Mamati Camp located 2.8 km south-southeast of Gwasa airstrip and a further 90 minute hike to the Project site.

Goroka is linked by the sealed Highlands Highway east to the port of Lae and west to the Highlands town of Mt. Hagen. Goroka is routinely serviced by commercial flights to and from Port Moresby. The Project is well supported by regional infrastructure with labour, supplies and other necessities available in Goroka. There is a base camp located at the Nevera prospect site known as Top Camp, with sleeping quarters, office, mess hall, storage, power and telecommunication facilities. Mamati Camp, the former base camp for the Project, is located 540 m northeast of the Nevera prospect base camp and 300 m lower in elevation. The camps can be accessed by helicopter in good weather or via walking tracks. There is an abundance of rainfall in the Project area filling the numerous creeks, streams and catchment areas that can provide water for mining operations. Vehicles and heavy equipment can be transported via ship to the port city of Lae followed by a direct road to Goroka and on to the Project site. Power is provided by an onsite generator.

Topography is quite rugged and steep, similar to many other exploration and mining project areas in the Papua New Guinea Highlands. Typical of the Highlands, the vegetation type is very diverse and heterogeneous in species composition and is home to a diverse range of exotic flora and fauna.

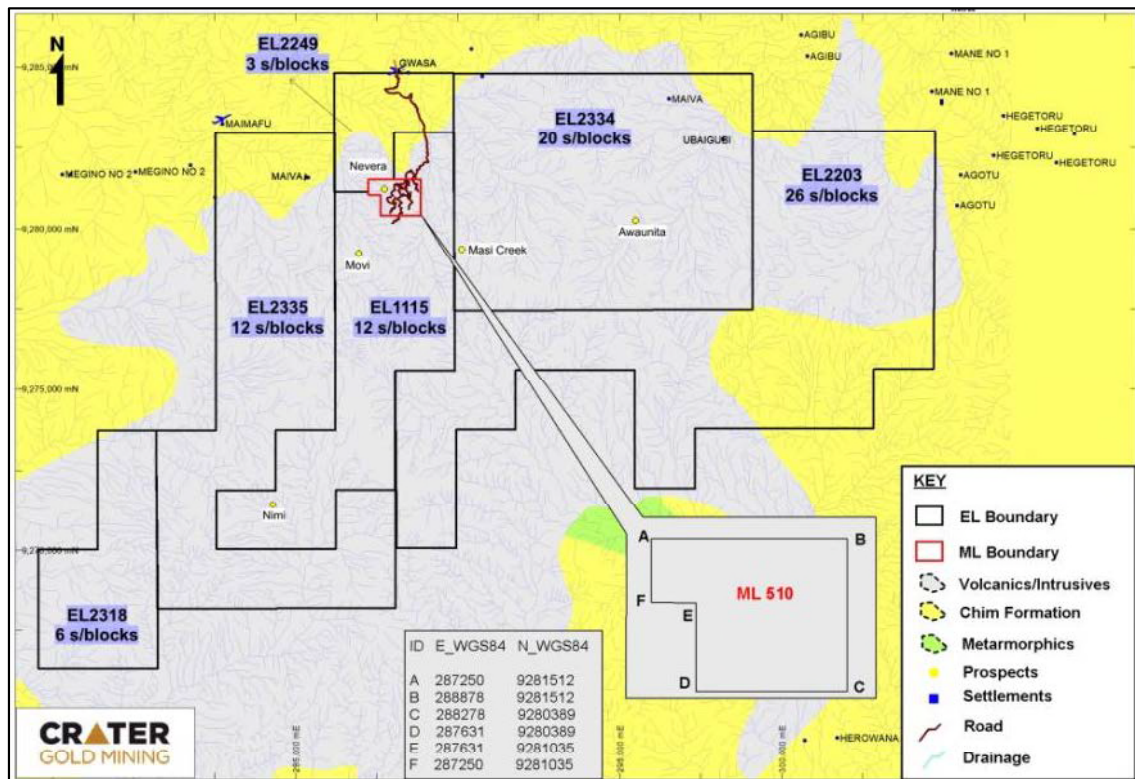


Figure 2. Crater Mountain Project Tenements
(Source: Crater Gold Mining, 2017)

3.2 CLIMATE

The climate of the region is classified as wet tropical controlled by the seasonal movement of two major tropical air masses, the northwest monsoon that dominates from December to April and the southeast trades that dominate from May to October. The local climate is relatively mild, cool and wet, with a very high level of humidity. It allows for year-round exploration and production operations, with occasional short-run access disruptions due to heavy rainfall. Annual rainfall averages 1,720 mm.

4 EXPLORATION HISTORY

Evidence of gold and base metal mineralisation was discovered in the Crater Mountain area in the 1970s. Since that time extensive exploration has been undertaken on the Project area including stream sediment and soil geochemical sampling, rock chip sampling, historical shallow benching, bulldozer and excavator benching, channel sampling of benches and diamond drilling.

The Project was initially explored in the 1970s by Kennecott and CRA for copper porphyry mineralisation and in the 1980s going forward for epithermal gold mineralisation. These efforts identified four main prospect areas – Nevera, Nimi, Masi Creek and Awaunita.

Detailed exploration conducted by Esso Papua New Guinea Inc. (“Esso”) in the early 1980s recorded alluvial gold in a small stream on the west flank of the present Nevera prospect central ridge. Alluvial gold was followed upstream to an area of scree shedding from a small, steep spur high in a

frequently dry headwater gully. Local village miners commenced washing a small amount of gold from the gully.

In 1984, City Resources (PNG) Pty Limited (“City Resources”), via its wholly owned subsidiary Mainland Mining Pty Ltd, acquired the Crater Mountain project and conducted exploration until 1988.

Following City Resources’ exploration four programs of diamond drilling were carried out at the Nevera prospect with successive operators BHP Billiton Pty Limited (“BHP”), Macmin NL (“Macmin”), Triple Plate Junction Plc (“TPJ”) and Gold Anomaly (Table 3). Change of project management resulted from a series of joint ventures and earn-in agreements, with Gold Anomaly eventually acquiring 100% in 2009.

Local artisanal miners produced an estimated 15,000 ounces of gold from shallow workings into a high grade zone within the Nevera prospect from 2005 to 2012. Mining was principally by sinking irregular shafts with common offsets and short drives following diverging fractures. Washed ore was hand-picked for fragments containing visible gold, or considered likely to contain gold, and these were pulverised by pestle-and-mortar before washing with mercury being used to capture the finest gold.

By the time artisanal mining ceased in early 2013 there were numerous deep surface gougings as well as at least 15 shafts with several reported to be 50 m deep and all still producing gold. The deepest reported shaft is 60 m, sunk from the edge of the gully at the base of the spur and known to be still in rich primary ore at the bottom. The workings are clustered in an area approximately 40 m by 50 m extending up to 25 m above gully level on the steep sides of the base of the spur.

Table 3. Summary of Drilling by Project Owner

Year	Company	Total drilled metres	Number of drill holes
2012-2014	CGN	2,065	27
2011-2012	Gold Anomaly	9,884	16
2005-2006	Triple Plate Junction	3,061	10
1998-1999	Macmin	982	4
1997	BHP	986	3
Total		16,978	60

4.1 WORK CARRIED OUT BY GOLD ANOMALY/CRATER GOLD

Aura Gold acquired the Project in 2007, and a reverse takeover in September 2009 resulted in ownership by Gold Anomaly (ASX: GOA). In late 2010, Gold Anomaly cut access roads onto the northern end of the Nevera prospect ridge as well as contour benches through a blanketing volcanic ash cover to bedrock along both sides of the target ridge, to support its sampling and drilling program. Access was cut to the base and beyond the high-grade spur, and later, in 2011, access was cut onto the spur above the historic workings.

Gold Anomaly initially drilled three holes, with NEV022 intersecting grades of 98.2 g/tonne gold from 74 metres to 76 metres, within a zone of 46 metres at 5.9 g/tonne gold, confirming the presence of “bonanza” grade ore shoots interpreted from historical artisanal mining. Examination of drill core showed gold was related to late stage high-sulphidation epithermal quartz-pyrite-gold style mineralisation. The implication of this is that much of the gold present near surface is primary (with a variable secondary addition), with the potential for the shoots to plunge to great depths, and develop significant tonnages.

Gold Anomaly changed its name to Crater Gold Ltd (ASX:CGN) in July 2013. Gold Anomaly/CGN continued drilling to 2014 at two main sites within the Nevera prospect: the Mixing Zone (MZ) and the High Grade Zone (HGZ). In total 43 holes were drilled for 11,949.6 m. Two mineral resource estimates for different parts of the Nevera prospect were produced: one for the MZ in 2011, and one for the HGZ in 2016.

In 2017 the company purchased an Atlas Copco Diamec 252 drill rig to undertake drilling on the site. Initial drilling is intended to be targeted at depth extensions of the High Grade Zone (“HGZ”) mineralisation, including in the approximately 300 metres between the HGZ and Mixing Zone mineralisation areas that has not yet been drill-tested. Exploration consultant Dorian L. (Dusty) Nicol (Fellow AusIMM, Fellow SEG, RG, CPG) completed a five day site visit to Crater Mountain in September 2017 and an independent technical report. Mr. Nicol has extensive PNG experience, having worked there in the early 1980’s including at Crater Mountain and other projects. He also has extensive experience on similar gold-copper deposits throughout the world.

5 GEOLOGY AND MINERALISATION

5.1 REGIONAL GEOLOGY

The Crater Mountain project is centered on the Crater Mountain Volcanic Complex, which is located in the Papuan Fold Belt that forms part of the New Guinea Orogen, a 600 kilometre long by 200 kilometre wide mobile zone that makes up the mountainous spine of Papua New Guinea.

The Papua Fold Belt comprises a thick succession of late Triassic and Tertiary passive margin marine sediments merging to the east into the Aure Deformation Zone. The fold belt is host to a number of high level intrusions and volcanic centres of Late Miocene to Pliocene age that are progressively more eroded and unroofed from east to west and significantly mineralised in places. The intrusive centres are interpreted to be of mantle origin with some degree of crustal contamination. The location of the centres and related mineralisation reflects a fundamental structural control with the largest deposits (OK Tedi, Grasberg, Porgera, Freida River) all being located at the intersection of large north-northeast trending transfer structures perpendicular to the direction of accretion and west-northwest trending arc parallel faults. The transfer structures are thought to represent long lived deep crustal fractures possibly associated with rifting of the craton margin in the Mesozoic that were reactivated as wrench faults by oblique convergence.

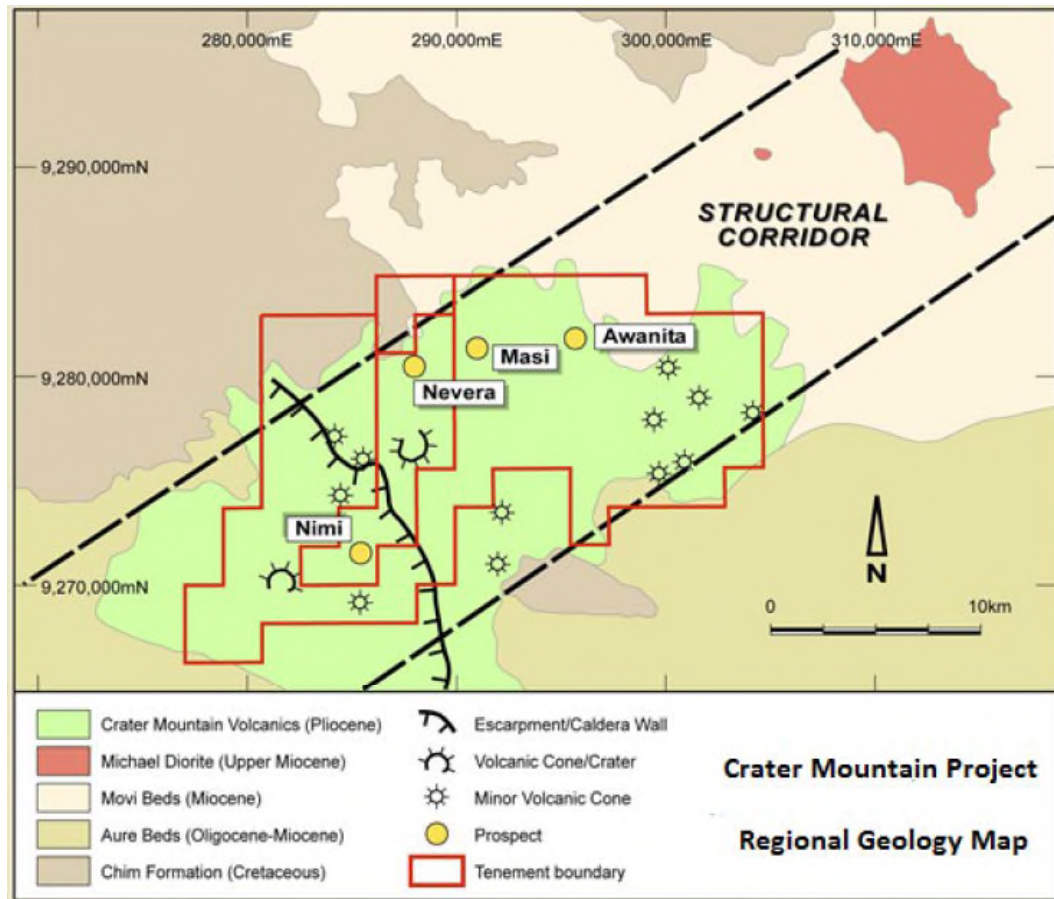


Figure 3. Regional geology of Crater Mountain
(Source: CGN, 2016)

5.2 LOCAL GEOLOGY

The Crater Mountain Volcanic Complex includes two large craters over one kilometre in diameter and approximately 30 small vents along with hot springs and associated sub-volcanic intrusives spread over more than 200 square kilometres formed after two separate phases of volcanism, which are underlain by marine sediments of the Chim Formation. Mineralisation is associated with sub-volcanic magmatic activity related to the locally prominent Nevera Igneous Complex.

5.3 MINERALISATION

Four areas of anomalous gold mineralisation have been identified at the Crater Mountain project: Nevera, Nimi, Masi Creek and Awaunita (Figure 3). These prospects are within a similar geological setting to Wafi-Golpu and Grasberg deposits. The Nevera prospect is the most advanced and has been the focus of the majority of historic and current exploration.

5.3.1 Nevera Prospect

The Nevera prospect, located in the northeastern section of EL1115, is the most advanced of the identified prospects and has been the focus of much of the exploration carried out from the 1970s to present day. The Nevera prospect is a former BHP asset that has a similar geological setting to many deposits in Papua New Guinea including Porgera, Wafi-Golpu and Hidden Valley.

Mineralisation at Nevera is mainly of the intrusion-related, low sulphidation epithermal quartz-sulphide gold+copper overprinted by carbonate-base metal gold style. Black iron-rich sphalerite,

pyrrhotite, chalcopyrite and anhydrite within veins demonstrate this mineralisation has formed at a high temperature deep crustal setting. Gold grades and silver:gold ratios rise from early pyrite to later base metal sulphide veins and breccias deposited from cooling ore fluids, to the addition of later stage carbonate as an indication of enhanced gold deposition by the mixing of rising ore fluids with bicarbonate waters derived from the condensation of CO₂ exsolved from cooling intrusions. A significant feature of the Nevera prospect is the considerable extent of bleached Chim Formation sediments, interpreted to result from the emplacement of a sizeable magmatic source at depth.

Artisanal mining at Nevera was focused on zoned advanced argillic hydrothermal alteration typical of high sulphidation epithermal gold deposits, possibly formed at a low temperature in an elevated crustal setting. However, copper-arsenic geochemistry suggests the ore fluid has evolved to deposit lower sulphidation epithermal mineralisation.

Three main zones have been outlined from drilling at the Nevera prospect: the Mixing Zone, the High Grade Zone (“HGZ”) and the Porphyry Copper-Gold Zone (Figure 4), all of which are believed to have the potential to host large multi-million ounce gold and copper-gold deposits.

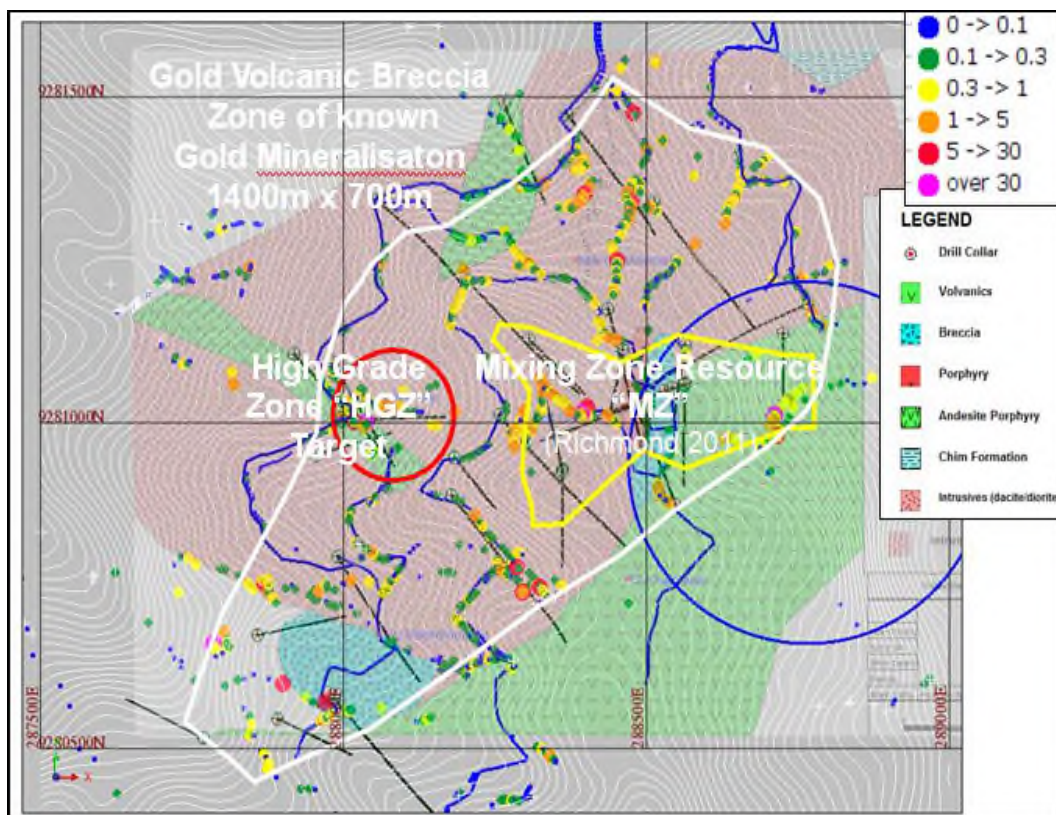


Figure 4. Nevera Prospect Mineralisation Zones.

The **Mixing Zone** is a sub-horizontal, relatively shallow lying zone 150 m to 300 m below the northern end of the Nevera prospect ridge and just south of Top Camp. Mineralisation straddles the shallow dipping contact between lavas, porphyries and breccias of the Crater Mountain Complex and the underlying Chim Formation sediments. The zone extents are in excess of 600 m long by 250 m wide by 150 m thick. Mixing Zone mineralisation occurs predominately as veins, stockworks and breccia matrix interpreted to have formed when deeply penetrating downwards circulating carbonated groundwater mixes with rising hot mineralised magmatic fluids derived from a deep intrusive source.

The **HGZ** occurs at surface in a small spur on the west slopes of the Nevera prospect ridge. This spur is cut at the base by a narrow gully, which carried gold in gravels down to the Nevera River. Mineralisation is hosted in intense acid leached quartz-alunite alteration typical of near-surface

portions of high sulphidation systems. However, alteration due to intense near surface weathering of low sulphidation systems are also seen. This weathering leads to very late kaolinite in fracture zones and stripping of everything except free gold and iron from the metal inventory. This weathering can develop in a primary high-grade, low sulphidation system, with a carbonate-base metal sulphide overprint giving encouragement to exploration. Drill sampling returned assay results of 48 m at 10.2 g/t gold and 26.5 m at 6.3 g/t gold.

Channel sampling to date in the HGZ has shown gold to be free and generally not associated with sulphides, though it is possible some may be associated with pyrite. All other sulphide minerals that may have been associated with the primary rock have been leached by acid conditions in what now remains in place as oxidized rocks. The silver content is very low. Local artisanal miners produced an estimated 15,000 ounces of gold from the HGZ from a small area of shallow workings (maximum 50 m depth) in the base of a steep mineralised spur from 2005 to 2012.

CGN has been developing the HGZ since August 2013 through the development of an underground adit and cross cuts and an ongoing drilling program. This development has passed through a wide zone of intense brecciation containing numerous narrow gold bearing mineralised structures correlating well with surface artisanal gold workings. Gold is known to extend down at least 130 m from surface and potentially could extend many hundreds of metres deeper to the underlying magmatic source identified during the nearby drilling of the Mixing Zone and Porphyry Copper-Gold Zone.

The **Porphyry Copper-Gold Zone** is large porphyry copper-gold system underlying the Mixing Zone possibly as deep as 1,000 to 1,500 metres with similarities to the Wafi Golpu deposit. The Company believes these three targets have the potential to host tens of millions of ounces of gold or gold equivalent.

5.3.2 Nimi Prospect

The Nimi prospect is located 12 km southwest of the Nevera prospect and is the highest priority target after Nevera. The Nimi prospect has similar geology and geochemistry to Nevera. The Nimi prospect covers an area of approximately three square kilometres in the southern section of EL 1115. Exploration undertaken on the prospect includes hand-dug trenching and channel sampling, geological interpretation and mapping. The prospect was identified by anomalous gold in stream sediment samples that were found to have coincident aeromagnetic, rock chip and stream sediment anomalies. Strong stream sediment values have been reported, up to 5.62 g/t gold. Rock chip sampling returned values to 7.10 g/t gold, 1,060 g/t silver, 1.35% copper, 6.4% lead and 15.65% zinc.

5.3.3 Masi Creek Prospect

The Masi Creek prospect is located 4.0 km east of the Nevera prospect and is believed to be an extension of Nevera. The Masi Creek prospect also has a similar geological setting to Nevera with basement Chim Formation sediments underlying a volcanic pile, which have subsequently been intruded by several felsic bodies resulting in alteration and mineralisation. The prospect is centered on two apparent northwest-southeast structures that have possibly controlled the emplacement of the felsic intrusives. The prospect was first identified by anomalous stream geochemistry with follow up rock chip sampling returning values to 2.81 g/t gold, 3.25% zinc and 11.2 g/t silver.

5.3.4 Awaunita Prospect

The Awaunita prospect is located 11 km east of the Nevera prospect. The geology of the prospect is defined by an extensively argillized diorite stock consisting of three individual bodies intruding overlying volcanics and sediments. The area was initially defined by three panned concentrate samples from the headwaters of a single drainage that assayed 430 ppm gold, 255 ppm gold and 180

ppm gold, respectively. Rock chip sampling returned 1.0 metres @ 1.61 g/tonne gold and 3.19% zinc and 1.0 m @ 4.08 g/t gold, 53.0 g/t silver and 0.36% copper.

5.4 METALLURGICAL TESTWORK

In mid-2012, SGS Lakefield Orestest Pty Limited of Western Australia conducted metallurgical testwork on samples sourced from the Mixing Zone on behalf of Anomaly. Reported results indicated that most gold could be recovered by fine grinding and cyanide agitation leaching.

Testwork carried out on the composite sample included laboratory-sized Knelson Concentrator gravity separation, bottle roll cyanidation and batch rougher flotation. Using a standard grind of 75 microns, simple gravity separation recovered more than 50% of the contained gold, while bottle roll agitation cyanide leaching recovered between 76% and 83% and flotation achieved over 95%. Gravity recoverable gold testwork indicated good gravity gold recovery at 52.1% and that “Reprocessing of the Knelson gravity concentrate using a hand pan showed that final concentrate grades of greater than 100 g/tonne gold should be readily achievable.”

Metallurgical testing showed that the gold leached quickly from the mineralised material at four different grind sizes, i.e. from a coarse 180 micron grind to a standard 75 micron grind, where the final gold recovery was 76%. On average, most of the gold was dissolved into solution in a relatively quick 8 hours residence period, with other conclusions from the testwork being:

- Grinding characteristics for the samples tested were good.
- Cyanidation leach kinetics were rapid, with leaching essentially complete after 8 hours.
- Cyanide consumptions were moderately low (0.79 kg/tonne to 0.92 kg/tonne).
- Gold extraction were from 75% at a relatively coarse grind size of P80 = 180 µm, to 78.9% at a finer grind size of P80 = 75 µm, as often used in cyanide leach operations.

5.5 DEPOSIT TYPES

The Crater Mountain project hosts three key styles of gold mineralisation that have been identified by exploration activities and drilling programs:

- Low sulphidation epithermal carbonate-base metal sulphide-gold mineralisation as found at the Mixing Zone.
- High sulphidation high-grade epithermal quartz-pyrite-gold mineralisation as found at the HGZ.
- Deep (1,100 metres and deeper) porphyry copper-gold mineralisation, below the northern end of the ridge.

6 MINERAL RESOURCES

In 2011, an independent JORC (2004) compliant resource estimate was prepared by Dr. Andrew Richmond of Martlet Consultants Pty Ltd on behalf of Gold Anomaly Limited for the Nevera prospect. The estimate was based on results of diamond drilling programs carried out between 1993 and 2011 by previous operators and Gold Anomaly. Using a 0.5 g/t gold cut-off, a JORC compliant inferred resource of 24 million tonnes grading 1.0 g/t gold for 790,000 contained gold ounces was defined in the Mixing Zone, which is found within the Nevera Prospect. This includes 9.4 million tonnes grading 1.46 g/t gold for 440,000 ounces contained gold using a 1.0 g/t gold cut-off.

On November 14, 2016 Crater Gold announced a JORC (2012) compliant inferred maiden resource estimate for the HGZ of 44,500 tonnes at 11.9 g/t gold for 17,100 ounces of gold (at a cut-off grade of 5.0 g/t gold) that was completed by MA (Table 4). This includes 23,500 tonnes at 17.2 g/t gold for 13,000 ounces of gold at a cut-off grade of 7.5 g/t gold.

Table 4. Summary of Mineral Resources, Crater Mountain Gold Project.

Zone	Resource Category	Tonnes	Gold (g/t)	Grade	Contained gold (ounces)
HGZ	Inferred	44,500		11.9	17,100
Mixing Zone	Inferred	24,000,000		1.0	790,000
Total		24,044,500		1.0	807,100

MA is satisfied that the mineral resources summarised in Table 4 were reported in accordance with applicable statutory requirements, ASX listing rules and the relevant JORC Code. Mineral resource estimates were of high quality, and MA considers them to be a reasonable estimate of in-situ material. The Inferred classification appropriately reflects the degree of uncertainty in the estimates.

7 MINING OPERATIONS AND PRODUCTION

CGN was granted mining lease ML510 over the HGZ on 5 November 2014. ML510 enables the Company to carry out mining operations on the HGZ for five years with the right to extend. The Environment Permit for the Company's HGZ project was also issued on 6 May 2014 by the PNG Director of Environment and Conservation. A Compensation Agreement with the HGZ landowners was formally registered with the PNG Mineral Resources Authority.

Mining development and production at the HGZ has been undertaken on 8 drives on mineralised gold bearing structures at the 1960 RL adit. Development of additional drives at the HGZ has been completed as part of CGN's upgrading of site infrastructure. The drives target identified zones of higher grade gold mineralisation on high-grade shoots from the 1960 RL adit to surface.

Mining infrastructure is being upgraded with the development of a second adit at the 1930 Level that will provide mining access to 30 m of vertical resource previously untouched by artisanal mining and provide suitable drill platforms for both infill drilling and depth extensions of the HGZ. Extending the adit east towards the Mixing Zone provides similar drill platforms to cover the gap between the HGZ and the Mixing Zone and also to carry out infill drilling of the Mixing Zone in the vicinity of previous higher grade intersections.

A mill and gravity concentration circuit are commissioned on site. Up to end 2016, 394 ounces of gold had been produced.

8 EXPLORATION POTENTIAL

The Mixing Zone mineralisation remains open in all directions. In 2012, Gold Anomaly requested H & S Consultants Pty Ltd to prepare an independent geological assessment of the exploration potential for the Nevera prospect at the Crater Mountain project as additional drilling by Gold Anomaly (8 holes totalling 5,500 m) identified a much larger gold envelope than previously evaluated by the Richmond report. As stated in Gold Anomaly's press release dated 8 November 2012 the exploration potential for the Mixing Zone was defined as 100 to 200 million tonnes grading 0.5 to 1.0 g/t gold for contained gold of between 2.0 and 4.0 million ounces using a gold cut-off of 0.15 g/t. The reported potential quantity and grade was conceptual in nature, and there had been insufficient data to define a Mineral Resource and it was uncertain if further exploration would result in determination of a Mineral Resource. MA considers that the 'exploration potential' for the Mixing Zone reported on 8 November 2012 under JORC (2004) guidelines would be considered under JORC (2012) to be an Exploration Target.

The maiden resource for the HGZ only considered mineralisation as identified to mid-2016. Development of the 1930 Level will pass through approximately 100 m of previously unexplored

ground adjacent to the high-grade zone. CGN considers this area prospective for finding additional gold bearing structures.

The three main zones on which exploration is being focussed occur within the Nevera prospect. CGN believes the Crater Mountain project is highly prospective for the discovery of a world class multi-million ounce gold and copper-gold deposit similar to other large deposits in the region.

9 VALUATION

The three generally accepted Valuation approaches are:

- Income Approach.
- Market Approach.
- Cost Approach.

VALMIN (2015) states that:

A Valuation Report should make use of at least two Valuation Approaches. Where more than one Valuation Approach is used, the Practitioner should comment on how the results compare and on the reasons for selecting the Value adopted. If it is impractical to use two Valuation Approaches, the Practitioner must clearly and unambiguously outline the reasons for not doing so.

The primary method used in this Valuation is the Market Approach and its derivative the Empirical Yardstick Approach. There are no technical studies for the Project, and no mineral reserves have been determined that allow the use of the Income Approach: MA considers the small scale mining operation being undertaken by CGN at the HGZ to be an advancement of exploration rather than full scale production. The Cost Approach is not considered to be appropriate due to the large amount of expenditure on HGZ underground development that has yet to yield a material increase in the Project's value.

9.1 CURRENCY AND EXCHANGE RATES

The currency used in this Valuation is the Australian dollar ("AUD"). In the case of comparing transactions carried out in other currencies, exchange rates utilized are the Monthly and Annual Noon Exchange Rate Averages published by the Reserve Bank of Australia (<http://www.rba.gov.au/statistics/frequency/exchange-rates.html>).

9.2 DATABASE

The database used for the valuations comprises public company announcements, annual reports, annual information forms, management discussions and analysis, news releases and statutory technical reports.

9.3 MARKET AND EMPIRICAL APPROACHES – COMPARABLE TRANSACTIONS, GOLD PROJECTS WITH RESOURCES

MA researched transactions that occurred since January 2016 involving the acquisition of gold projects with published mineral resources (no mineral reserves) and only involving publically listed companies as the vendor or purchaser. January 2016 was chosen as a cut-off date because it approximates the period during which gold prices rose from an average of around USD\$1160/oz in 2015 to USD\$1250/oz in 2016-2017. LME spot price as at June 2018 is around \$1277/oz. One project transaction that preceded the January 2016 cut-off date was included because it involved a similar style of project in Papua New Guinea: the purchase of the Kainantu Gold Mine in March 2015.

In total MA compiled twenty four transactions involving sale and purchase of all or the majority holding of gold resource projects. Transactions involving operating mines, or advanced projects with defined mineral reserves, were not considered comparable. Only four transactions were based on projects with wholly inferred resources, but the spread of values per resource ounce did not show a strong connection between resource category and value. Details of the properties and acquisition deals considered as comparable transactions for the valuation of the Project are given below, and all transactions used to derive a \$/resource oz value are summarised in Table 5. For all transactions, an AUD value per ounce of attributable contained gold was derived by taking the total purchase cost (converted to AUD using exchange rates at the time of the transaction) divided by contained gold ounces in resources.

9.3.1 Discussion

9.3.1.1 Comparable Transactions

Only four transactions could be considered directly comparable to the Project in terms of total attributable gold: Blayney, Gurupi, Youami and Clifton Star. Total consideration for these transactions was AUD3.25M, AUD3.3M, AUD5M and AUD9.6M respectively. The acquisition of Clifton Star involved gold resources in Canada mostly in indicated and inferred categories totalling 914,000 ounces at an average grade of 2.8 g/t Au and MA considers the purchase price of AUD9.6M to be an upper limit for the value of Crater Mountain. Regis Resources' purchase of the Blayney gold project in Australia is closest to Crater Mountain in terms of contained gold (1,069,000 ounces) and grade (0.67 g/t Au) and MA considers the purchase price of AUD3.25M to be close to the lower limit for the value of Crater Mountain. The Gurupi purchase price was for an initial 20% stake in the project in Brazil, after which additional interest could be earned by completing specific milestones not linked to fixed expenditures. It is therefore difficult to directly compare with a value for 100% of Crater Mountain.

On the basis of directly comparable transactions, MA considers Crater Mountain to have a value between AUD3.25M and AUD9.6M, with a preferred value in the mid-point of AUD5.29M.

9.3.1.2 Yardstick Approach – recent transactions

As shown in Table 5, implied AUD/oz values for in situ gold resources purchased since 1st January 2016 vary between AUD1.88/oz to AUD45.45/oz. Of the twenty-four transactions examined, seventeen have AUD/oz values of AUD16 or less, with the seven highest values spread fairly evenly between about AUD16/oz and AUD45/oz. Eleven transactions have AUD/oz values less than AUD10. MA notes that there is no correlation between implied value/oz and grade or tonnes.

Of the transactions listed in Table 5, MA considers that six can be excluded from comparison with Crater Mountain: Anthill, Goldlund, Burbanks, Indee, Lexam and Segilola. Anthill and Goldlund attracted the lowest two AUD/oz values. Anthill is a small, relatively low grade deposit and Goldlund was purchased from a private company without Ni43-101 compliant resources. The Burbanks project in Australia includes extensive underground development from a mine on care and maintenance, and has clearly attracted a premium value. The Indee gold project in Australia was acquired from a private company that, according to De Grey Mining's website, has undertaken a considerable amount of drilling since declaring the resource estimate upon which the valuation per ounce is based. It is likely that De Grey determined their purchase price based on information not in the public domain. McEwan Mining's takeover of Lexam VG gold included some open pit resources for which scoping studies had been completed, which could explain the higher value per ounce paid. The Segilola project in Burkina Faso has 550,000 ounces wholly in Indicated resources at a grade of 3.8 g/t Au and is amenable to open-pit mining, which MA considers would attract a premium value.

Using the remaining implied AUD/oz values gives an average value of AUD10.4/oz and a median value of AUD9.9/oz. Lower and upper limit to values are determined by taking the 25th and 75th percentiles of the data, which gives a range of AUD5.1/oz to AUD13.8/oz. MA's preferred value is the median of AUD9.9/oz. Applying these figures to the Crater Mountain mineral resources of 810,000 ounces gives a range of values from AUD4.1M to AUD11.2M and a preferred value of AUD8.4M.

9.3.1.3 Yardstick Approach – relative to spot price

A yardstick multiple for in-situ resource ounces was derived by examining transactions for the past five years and comparing them with the spot price of gold at the transaction date. For properties with mostly inferred ± indicated resources, values per in situ ounce were between 0.3% and 0.6% of

the spot gold price in AUD at the transaction date. At the current price of 1742 AUD/oz, this translates to values between \$5.2/oz and \$10.5/oz.

Table 5. Summary of Comparable Transactions, Gold Projects with Resources.

Date	Project	Country	Buyer	Seller	Interest %	Currency	Consideration	Resource tonnes	Resource grade g/t Au	Contained ounces - 100%	Contained ounces - attributable ¹	AUD/ounce	Resource category ²
08/03/2017	Anthill	Australia	Intermin Resources Ltd	Echo Resources	100	AUD	300,000	5,186,000	1	160,000	160,000	1.88	ind inf
16/05/2016	Goldlund	Canada	First Mining Finance Corp	Tamaka Gold Corporation	100	CAD	6,937,500	44,900,000	2.27	3,279,000	3,279,000	2.25	m ind inf
23/02/2017	Blayney	Australia	Regis Resources Ltd	Aeris Resources Ltd	100	AUD	3,250,000	50,840,000	0.67	1,069,000	1,069,000	3.04	ind inf
21/07/2016	Lake Carey	Australia	Matsa Resources Ltd	Hammer Metals Ltd (formerly Midas Gold)	100	AUD	1,750,000	6,289,000	1.9	385,300	385,300	4.54	ind inf
22/12/2017	Twin Hills	Australia	GBM Resources	Minjar Gold	100	AUD	1,850,000	4,620,000	2.7	398,000	398,000	\$4.65	inf
13/03/2017	Forrestania	Australia	Classic Minerals Ltd	Hannans Ltd	80	AUD	850,000	4,820,000	1.39	216,000	172,800	4.92	inf ind
28/04/2016	Pitt Gold	Canada	First Mining Finance Corp	Brionor Resources Inc	100	CAD	1,250,000	1,076,000	7.37	257,000	257,000	5.07	ind inf
07/10/2016	Gurupi	Brazil	Avanco resources Ltd	Jaguar Mining Inc	20	USD	2,500,000	8,850,000	1.14	3,140,000	628,000	5.26	ind inf
28/05/2018	Youami	Australia	Venus Metals	OzYouanmi Gold	100	AUD	5,000,000			904,000	904,000	\$5.53	inf
12/01/2016	Redwing	Australia	Hanking Gold Mining	Audax Minerals	100	AUD	700,000	1,400,000	2.4	108,000	108,000	6.48	inf
09/06/2016	Cameron	Canada	First Mining Finance Corp	Chalice Gold Mines Ltd	100	CAD	13,000,000	22,288,000	2.04	1,463,000	1,463,000	9.39	m ind inf
29/09/2016	Chameleon	Australia	Alt Resources Ltd	Minotaur Exploration	100	AUD	800,000	1,100,000	2.1	77,000	77,000	10.39	inf
08/04/2016	Clifton Star	Canada	First Mining Finance Corp	Clifton Star	100	CAD	9,489,234	9,017,000	2.38	914,000	914,000	10.52	m ind inf
11/03/2015	Kainantu	PNG	Otterburn Resources Corp	K92 Holdings	100	CAD	22,000,000	4,998,000	11.6	1,864,000	1,864,000	12.23	Inf ind
15/08/2016	Mina Property	USA	Gold Resource Corp	Nevada Select Royalty Inc	100	USD	1,000,000	1,606,000	1.88	97,000	97,000	13.46	inf

Date	Project	Country	Buyer	Seller	Interest %	Currency	Consideration	Resource tonnes	Resource grade g/t Au	Contained ounces - 100%	Contained ounces - attributable ¹	AUD/ounce	Resource category ²
07/07/2016	Grassy Mountain	USA	Paramount Gold Nevada Corp	Calico Resources Corp	100	USD	17,282,614	68,700,000	0.82	1,653,000	1,653,000	13.90	m ind inf
10/06/2016	Woodlark	PNG	Geopacific Resources Ltd	Kula Gold Ltd	75	USD	18,650,000	45,100,000	1.5	2,100,000	1,575,000	15.97	m ind inf
23/06/2017	Tuckabianna	Australia	Westgold Resources	Silver Lake Resources	100	AUD	8500000	7967000	2.04	524000	524,000	\$16.22	ind inf
21/12/2016	Livingstone Find	Australia	Kingston Resources Ltd	Trillbar Resources Pty Ltd	75	AUD	729,500	989,000	1.6	49,900	37,425	19.49	inf
14/02/2018	WA Gold Project (Polar)	Australia	Westgold Resources	S2 Resources	100	AUD	9,000,000	4,220,000	2	264,000	348,000	\$25.86	ind inf
13/02/2017	Lexam VG Gold Inc	Canada	McEwan Mining	Lexam VG Gold Inc	100	USD	53,677,469			2,422,200	2,422,200	28.91	m ind inf
19/08/2016	Segilola Gold	Nigeria	Thor Exploration Ltd	Tropical Mines Ltd/Delano Mining Industries Ltd and Ratel Group Ltd/RTG Mining Inc	100	USD	14,089,304	4,540,000	3.8	555,000	555,000	33.21	ind
09/02/2017	Indee	Australia	De Grey Mining Ltd	Northwest Nonferrous Australia Mining Pty Ltd	100	AUD	15,600,000	6,660,000	1.6	345,000	345,000	45.22	m ind inf
22/11/2016	Burbanks	Australia	Resources and Energy Group Ltd	Kidman Resources Ltd	100	AUD	4,500,000	550,000	5.6	99,000	99,000	45.45	ind inf

¹Attributable ounces = contained ounces x % interest

²Resource categories according to JORC or NI43-101 guidelines: m = measured, ind=indicated, inf=inferred. Non-compliant resources assumed inferred.

10 VALUATION SUMMARY

On the basis of an analysis of comparable transactions for CGN’s Crater Mountain Project, Table 6 has been compiled. The “Preferred Market Value” column indicates the most preferable market value placed on the Project by MA. This value considers a large of number of variables and geographical location, and is not necessarily the median value of the high and low ranges.

Table 6. Summary of Valuation, Crater Mountain Project.

Market Approach						Preferred Market Value		
Comparable Transactions		Yardstick AUD/oz (recent transactions)		Yardstick AUD/oz (spot price)				
Low AUDM	High AUDM	Low AUDM	High AUDM	Low AUDM	High AUDM	Low AUDM	Preferred AUDM	High AUDM
3.3	9.6	4.1	11.2	5.2	10.5	3.3	8.4	11.2

Note: Valuations are rounded to nearest AUD0.1 M to reflect accuracy.

The Preferred value for CGN’s Crater Mountain gold project asset is AUD8.4M, which is based on a consideration of ranges determined by Market Comparable Transactions.

11 REFERENCES

VALMIN, 2015. Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code) [online]. Available from: <<http://www.valmin.org>> (The VALMIN Committee of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists).

Crater Gold – Various ASX Announcements

12 GENERAL GLOSSARY OF TECHNICAL TERMS

This glossary comprises a general list of common technical terms that are typically used by geologists. The list has been edited to conform in general to actual usage in the body of this report. However, the inclusion of a technical term in this glossary does not necessarily mean that it appears in the body of this report, and no imputation should be drawn. Investors should refer to more comprehensive dictionaries of geology in printed form or available in the internet for a complete glossary.

AAS (*Atomic Absorption Spectrophotometry*) – a chemical analysis technique.

aeromagnetic survey *Systematic measurement and collection, from an aircraft, of the earth's magnetic field at regular intervals.*

alluvial deposit *A mineral deposit consisting of recent surface sediments laid down by water.*

alteration *The change in the mineral composition of a rock, commonly due to hydrothermal activity.*

alteration zone *A zone in which rock-forming minerals have been chemically changed.*

anomaly *A departure from the expected or normal background.*

auger sampling *A sampling technique utilising a screw-like tool to obtain shallow samples.*

AusIMM *Australasian Institute of Mining and Metallurgy.*

basalt *A dark-coloured igneous rock.*

base-metal *A non-precious metal, usually referring to copper, lead and zinc.*

BLEG – *Bulk leach extractable gold*

breccia *A rock composed of angular rock fragments.*

bulk sample *A large volume of soil or rock obtained for examination or analysis.*

Cainozoic *An era of geological time from the end of the Mesozoic to the present.*

calcalkaline *Igneous rocks containing calcium-rich feldspar.*

calcrete *Superficial gravels cemented by secondary calcium carbonate.*

Cambrian *A period of geological time approximately from 506 Ma to 544 Ma.*

Carboniferous *A period of geological time approximately from 295 Ma to 355 Ma.*

chalcopyrite *A mineral of copper with the chemical formula $CuFeS_2$.*

clastic *A rock composed principally of fragments derived from pre-existing rocks.*

complex *An assemblage of rocks of various ages and origins intricately mixed together.*

conglomerate *A sedimentary rock formed by the cementing together of water-rounded pebbles, distinct from a breccia.*

costean *A trench excavated in the surface for the purpose of geological investigation.*

craton *A major part of the Earth's crust that has been stable and little deformed for a long time.*

Cretaceous *A period of geological time approximately from 65 Ma to 135 Ma.*

crosscut *A level driven across the main direction of underground mine workings.*

cut-off grade *The lowest or highest assay value that is included in a resource estimate.*

dacite *A fine-grained extrusive rock composed mainly of plagioclase, quartz and pyroxene or hornblende or both. It is the extrusive equivalent of granodiorite.*

Devonian *A period of geological time approximately from 355 Ma to 410 Ma.*

diamond drilling *Rotary drilling technique using diamond set or impregnated bits, to cut a solid, continuous core sample of the rock. The core sample is retrieved to the surface, in a core barrel, by a wire line.*

dilution *The proportion of material which is inadvertently included during mining operations, and which is generally of a significantly lower grade than the ore zone of interest.*

dip *The angle at which any planar feature is inclined from the horizontal.*

dyke *A tabular igneous intrusion that cuts across the bedding or other planar structures in the host rock.*

EM survey *Electromagnetic survey. A method of measuring the alternating magnetic fields associated with electrical currents artificially or naturally maintained in the subsurface. A technique often used to identify massive sulphide deposits.*

Famennian A stratigraphic name for a stage at the top of the European Upper Devonian (around 355-370 Ma).

felsic Light coloured rocks containing an abundance of feldspars and quartz.

foreland basin A basin formed within a continental setting, often adjacent to a mountain range.

Frasnian A stratigraphic name for a stage at the base of the European Upper Devonian (around 370-375 Ma).

Ga Billion years ago.

gabbro A coarse-grained intrusive igneous rock composed chiefly of plagioclase feldspar and pyroxene.

GIS Geographic Information System. A system devised to present spatial data in a series of compatible and interactive layers.

Givetian A stratigraphic name for a stage at the top of the European Middle Devonian (around 375-380 Ma).

gossan A ferruginous deposit remaining after the oxidation of the original sulphide minerals in a vein or ore zone.

graben An elongate, relatively depressed crustal unit or block that is bounded by faults on its long sides.

granitoids A general term to describe coarse-grained, felsic intrusive plutonic rocks, resembling granite.

granodiorite A coarse-grained granitic rock containing quartz, feldspar and biotite.

gravity survey Systematic measurement and collection of the earth's gravitational field at the surface at regular intervals. Used to discern different rock types based on associated variations with differences in the distribution of densities, and hence rock types.

greenschist A schistose metamorphic rock which owes its green colour and schistosity to abundant chlorite and lesser epidote and/or actinolite.

ignimbrite The rock formed by the widespread deposition and consolidation of volcanic ash flows (=welded tuff).

indicated resource A mineral resource sampled by drill holes, underground openings or other sampling procedures at locations too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity, and where geoscientific data is known with a reasonable level of reliability.

inferred resource A mineral resource inferred from drill holes, geoscientific evidence, underground openings or other sampling procedures where the gaps in the data are such that continuity cannot be predicted with confidence, and where geoscientific data may not be known with a reasonable level of reliability.

intermediate Igneous rocks whose composition is intermediate between felsic and mafic rocks.

intracratonic Within a large, stable mass of the earth's crust.

IP survey Induced Polarisation survey - an electrical geophysical survey technique measuring the magnetic field spontaneously induced in a volume of rock by the application of an electric current. This technique is often used to identify disseminated sulphide deposits.

ironstone A rock formed by cemented iron oxides.

I-type granite A granite that results from igneous magmatic processes.

JORC Joint Ore Reserves Committee - The Australasian Institute of Mining and Metallurgy. The guidelines of the JORC Code (1999) are observed in the calculation and reporting of ore resources and ore reserves.

jordisite An amorphous variety of molybdenite.

Jurassic A period of geological time approximately from 135 Ma to 203 Ma.

LandSat imagery Reflective light data of the earth's surface collected by the LandSat satellite and commonly processed to enhance particular features. Includes the visible and invisible light spectrums.

lithic tuff A tuff containing fragments of previously formed non-pyroclastic rocks.

lithophile element An element that is concentrated in crustal rather than mantle rocks, and associated with the silicate rather than the sulphide phases.

Ma Million years ago.

mafic A dark-coloured rock composed dominantly of magnesium, iron and calcium-rich rock-forming silicates, and for rocks in which these minerals are abundant.

magma Naturally occurring molten rock, generated within the earth.

magnetic anomalies Zones where the magnitude and orientation of the earth's magnetic field differs from adjacent areas.

magnetic survey Systematic collection of readings of the earth's magnetic field. The data are collected on the surface or from aircraft.

mantle The zone in the earth between the crust and the core.

massive sulphides Rock containing abundant sulphides that constitutes close to 100% of the rock mass.

mesothermal Mineral deposits formed (precipitated) at moderate temperatures.

Mesozoic An era of geological time approximately from 65 Ma to 248 Ma.

meteoric water *Water derived from the earth's atmosphere.*

molybdenite *The main ore of molybdenum; a lead-grey hexagonal mineral with composition MoS_2 .*

monzogranite *A granular plutonic rock with a composition between monzonite and granite.*

Namurian *A stratigraphic name for a stage at the base of the European Upper Carboniferous (around 320-325 Ma).*

Neoproterozoic *An era of geological time approximately from 544 Ma to 1000 Ma.*

Ordovician *An era of geological time approximately from 435 Ma to 500 Ma.*

oxide *Pertaining to weathered or oxidised rock.*

pelite *A sediment or sedimentary rock composed of the finest detritus (clay or mud-sized particles).*

penecontemporaneous *Formed at almost the same time.*

percussion *A method of drilling where the rock is broken into small chips by a hammering action.*

Permian *An era of geological time approximately from 248 Ma to 295 Ma.*

pitchblende *A massive brown to black variety of uraninite.*

plunge *The attitude of a line in a plane which is used to define the orientation of fold hinges, mineralised zones and other structures.*

Porphyritic *Descriptive of igneous rocks containing relatively large crystals set in a finer-grained groundmass.*

ppb, ppm *Parts per billion, parts per million (quantitative equivalent of g/t).*

pyrite *A common iron sulphide mineral with the chemical formula FeS_2 .*

RAB drilling *Rotary Air Blast drilling - a method of rotary drilling in which sample is returned, using compressed air, to the surface in the annulus between drill-rod and the drill-hole. This is a relatively inexpensive but less accurate drilling technique than RC or diamond coring.*

radiometric survey *Systematic collection of radioactivity emitted by rocks at or near the earth's surface; usually collected by helicopter or fixed wing aircraft.*

raft *A relatively large block of extraneous rock incorporated into an intrusive magma.*

RC drilling *Reverse Circulation drilling - a method of rotary drilling in which the sample is returned to the surface, using compressed air, inside the inner-tube of the drill-rod. A more accurate drilling technique than simple percussion drilling, the RC technique minimises contamination.*

refractory *Descriptive of ore difficult to treat for recovery of valuable minerals.*

rhyolite *A volcanic rock composed chiefly of potassium feldspar and quartz.*

rift basin *A large fault-bound depression, in-filled with volcanic and/or sedimentary material.*

sericite *A white, fine-grained mica, usually formed as an alteration product of various silicates in metamorphic rocks and the wall rocks of ore deposits.*

shear zone *A zone in which rocks have been deformed primarily in a ductile manner in response to applied stress.*

sheet wash *A widely distributed, thin blanket of sediment deposited in a broad, poorly defined drainage.*

silicified *The alteration or replacement of primary minerals by silica.*

Silurian *An era of geological time approximately from 410 Ma to 435 Ma.*

skarn *A thermally metamorphosed impure limestone.*

soil sampling *The collection of soil specimens for mineral analysis.*

stockwork *A network of (usually) quartz veinlets produced during pervasive brittle fracture.*

stratabound *Occurring within and parallel to the rock strata, but not necessarily deposited at the same time.*

stratiform *Occurring within and parallel to the rock strata, and deposited at the same time.*

stream sampling *The collection of stream sediments for mineral analysis.*

strike *The direction or bearing of a geological structure on a level surface, perpendicular to the direction of dip.*

stringer *A small, thin discontinuous or irregular veinlet.*

subduction *The process where one slab of the Earth's crust descends beneath another.*

syncline *A basin-shaped fold.*

syntectonic *Occurring or forming at the same time as deformation and metamorphism.*

t, tpa *Metric tonne, tonnes per annum.*

tectonics *The processes that create the broad architecture of the surface of the earth.*

tectonism *A general term for all movement of the crust produced by tectonic processes.*

Tertiary *Applied to the first period of the Cainozoic era, 1.8Ma to 65Ma.*

terrane *A crustal block or fragment that preserves a distinctive geologic history that is different from the surrounding areas.*

tholeiitic *A term applied to mafic or ultramafic rocks composed predominantly of magnesium-rich feldspar and pyroxene minerals.*

tonalite *A coarse grained plutonic rock similar to diorite in composition but containing quartz as 5% to 20% of the light coloured minerals.*

trench *A long, narrow depression in the sea floor.*

Tournaisian *A stratigraphic name for a stage at the base of the European Carboniferous (around 345-355 Ma).*

Triassic *Applied to the first period of the Mesozoic era, 203Ma to 248Ma.*

ultramafic *Igneous rocks consisting essentially of ferro-magnesium minerals with trace quartz and feldspar.*

uraninite *The main ore of uranium, essentially UO₂.*

Viséan *A stratigraphic name for a stage at the top of the European Carboniferous (around 325-345 Ma).*

volcanoclastic *A sedimentary clastic rock containing volcanic material.*

13 CERTIFICATE OF QUALIFICATIONS

ANDREW JAMES VIGAR, F.AusIMM, F. AIG, M.SEG.,

STATEMENT OF QUALIFICATIONS

I, Andrew James Vigar, B.App.Sc (Geol.), hereby certify that:

1. I am an independent Consulting Geologist and Professional Geoscientist residing at 97 Isaac Street, Spring Hill Queensland 4000, Australia with my office at Level 6, 445 Upper Edward Street, Spring Hill, Queensland 4004, Australia (Telephone +61-7-38319154).
2. I graduated from the Queensland University of Technology, Brisbane, Australia in 1978 with a Bachelor Degree in Applied Science in the field of Geology.
3. I have continuously practised my profession as a Geologist for the past 30 years since graduation, in the fields of Mineral Exploration, Mine Geology and Resource Estimation. I have held senior positions with Emperor Gold, WMC, Costain Australia and CRA (Rio Tinto) prior to commencing full-time consulting in 1996. I have been involved in consulting to the minerals industry both independently (Vigar & Associates and now Mining Associate Pty Ltd) and as an employee of the international consultancy, SRK Consulting.
4. My specific experience concerning the Crater Mountain gold project is my extensive experience in mineral resource estimation and mining in a number of epithermal and porphyry-style gold deposits. I have worked in mineral exploration since 1980 when I joined the exploration team at the Vatukoula gold mine in Fiji. This was followed by senior roles at gold mines in Western Australia and Queensland and exploration/evaluation in SE Asia and PNG. I spent 2 years with the WH Bryan Mining Geology Research Centre at the University of Queensland tutoring and studying Geostatistics. I commenced full-time consulting in 1996. I have prepared in-depth reviews and/or resource estimates of a large number of deposits over the last 20 years. I have worked on the identification and estimation of resources for epithermal-porphyry style mineralisation in similar environments in PNG, Philippines, Indonesia, Fiji and throughout Australia.
5. I was elected a Fellow of the Australasian Institute of Mining and Metallurgy ("The AusIMM") in 1993, having been a member since 1980. My status as a Fellow of The AusIMM is current, and I am recognized by the Australian Securities and Investments Commission and the Australian Stock Exchange as a Qualified Person for the submission of Independent Geologist's Reports. I am also a Fellow of the Australian Institute of Geoscientists.
6. I have read the definition of "Independent Individual Expert" set out VALMIN Section 37 and certify that by reason of my education, affiliation with a professional association (as defined in VALMIN) and past relevant work experience, I fulfill the requirement to be an "Expert" for the purposes of VALMIN. I have read the definition of "qualified valuator" set out in CIMVal and certify that by reason of my education, affiliation with a professional association (as defined in CIMVal) and past relevant work experience, I fulfill the requirement to be a "qualified valuator" for the purposes of CIMVal.
7. I am the author of the Valuation entitled " Report on the Market Valuation Of Crater Gold Mining's Crater Mountain Gold Project, Papua New Guinea" dated 18th June 2018 ("the Valuation"). I have reviewed all sections of the report for which I am responsible and found them to be accurate and reliable within the limitations of this Valuation.
8. I have previously inspected the property that is the subject of the Valuation.

E. SRK INDEPENDENT SPECIALIST REPORT

Independent Specialist's Report on certain mineral assets of Crater Gold Mining Limited

Report Prepared for

RSM Corporate Australia Pty Ltd



Report Prepared by

 **srk** consulting

SRK Consulting (Australasia) Pty Ltd

Project Number: CRT002

October 2018

Independent Specialist's Report on certain mineral assets of Crater Gold Mining Limited

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Executive Summary

Crater Gold Mining Limited (Crater) is proposing to undertake a 6:1 Renounceable Rights issue (Rights offer) which may include the conversion of a up to A\$12 million in debt owed to a related party, Freefire Technology Limited (Freefire) to equity (Proposed Transaction).

Crater has engaged RSM Corporate Australia Pty Ltd (RSM) to prepare an Independent Expert Report (IER) to support the Proposed Transaction. RSM has subsequently commissioned SRK Consulting (Australasia) Pty Ltd (SRK) to provide an Independent Specialist Report incorporating a technical assessment and valuation of Crater's Croydon base metals, graphite and gold exploration assets in Queensland (Croydon Project), which forms a significant component of the value of the Company. This Report is to be included as an appendix to RSM's IER opining on the fairness and reasonableness of the Proposed Transaction.

Summary of principal objectives

The objective of this Report is to provide an independent assessment of the technical project value drivers impacting on the Croydon Projects. These include, but are not limited to:

- Location and geological setting
- Results of exploration activities and technical studies completed to date
- Any stated Mineral Resources
- Any other relevant technical assumptions not listed above
- The valuation of all resources and exploration potential.

This Report has been prepared in accordance with the "Australasian Code for the Public Reporting of Technical Assessment and Valuation of Mineral Assets" - VALMIN Code (2015), which incorporates the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves" - JORC Code (2012).

Outline of work program

The following aspects were considered in the preparation of this Report:

- Access to key Crater personnel and consultants for discussion and enquiry
- A high-level review of the historical estimates of quantities and grades and the methodologies applied; this did not include any re-estimation of Mineral Resources
- A review of the geology, Mineral Resources, exploration, project risks and opportunities
- A review of technical reports and supporting documentation prepared by and/or on behalf of the parties
- Compilation of comparable transactions
- Valuation of Mineral Resources and Exploration Potential
- Report preparation.

Overview

Crater is currently evaluating several projects, including the Croydon Projects in Northern Queensland. Specifically, this includes:

- Croydon graphite and gold (also known as the Golden Gate Project, an advanced stage exploration)
- Croydon polymetallic (zinc-lead-silver ±copper±tin) (advanced stage exploration).

For the purposes of this Report, SRK has completed a high-level review of the historical estimates of quantities and grade of mineralisation stated by Crater for the purpose of determining their validity from a valuation perspective. SRK has not performed, nor does it accept the responsibilities of a Competent Person as defined by the JORC Code (2012) in respect of the Exploration Results, Mineral Resources and Ore Reserve estimates presented in this report.

In SRK's opinion, the historical estimates for Croydon Graphite are acceptable as a representation of global grades and tonnages for valuation purposes. Thus, for the purposes of this valuation, the global historical estimates were considered.

When valuing Crater's exploration assets, SRK has considered methods commonly used in Australia to value mineral assets at these stages of development. These methods are outlined in this Report.

All monetary figures used in this report are expressed in either United States dollar (US\$) or Australian dollar (A\$) terms. The final valuation is presented in A\$. This Report has adopted an effective valuation date of 25 October 2018.

SRK's recommended valuation ranges and preferred values are detailed in the body of this report (Valuation) and are summarised below. SRK has produced a Market Value as defined by the VALMIN Code (2015). SRK's preferred values for the Croydon graphite project are positioned conservatively, as given the level of study and assumptions incorporated by SRK into its analysis, SRK has no strong inclination towards either end of the valuation range.

SRK notes that it has positioned its preferred value for the Croydon polymetallic project towards the upper end of its adopted valuation range, based on the results of a concept study, which indicated that a potentially economic deposit could be developed, provided the key assumptions could be verified through ongoing exploration activities.

SRK has adopted this overall position due to varying levels of technical and geological uncertainty, including, but not limited to, the expected difficulties in converting Exploration Potential and Mineral Resources into Ore Reserves and the current status of these assets.

Table ES-1: Summary of SRK's Valuation of the Crater's mineral assets as at 25 October 2018

Project	Value Centre	Low (A\$,000)	High (A\$,000)	Preferred (A\$,000)
Golden Gate Graphite	Exploration Potential – Comparative Transactions (historic Resource)	90	532	
	Exploration Potential – Comparative Transactions (Area based)	100	720	
	Exploration Potential – Geoscientific	340	1,150	
	Selected	180	800	490
Croydon Polymetallic	Exploration Potential – Comparative Transactions*	410	760	
	Exploration Potential – Geoscientific*	520	990	
	Selected	500	1,000	800
All Projects (100% Equity Interest)		680	1,800	1,290

*Includes the 25% discount for EPM 26749 which remains under application

Any discrepancies between values presented in the table are due to rounding.

Table of Contents

Executive Summary	ii
Disclaimer.....	xi
1 Introduction and Scope of Report.....	1
1.1 Introduction	1
1.2 Nature of the brief and summary of principal objectives.....	2
1.3 Reporting standard.....	2
1.4 Work program	3
1.5 Legal matters	3
1.6 Information basis of this Report	3
1.7 Project team	3
1.8 Effective date	5
1.9 Limitations, reliance on information, declaration and consent.....	5
1.9.1 Limitations	5
1.9.2 Statement of SRK independence.....	5
1.9.3 Indemnities	6
1.9.4 Consent	6
1.9.5 Consulting fees.....	6
2 Corporate Structure and Project Tenure	7
2.1 Corporate structure	7
2.2 Location, access, climate and physiography	7
2.3 Project tenure.....	8
2.4 Croydon sub-province.....	9
2.4.1 Mineralisation	9
2.4.2 Mineralisation models.....	10
2.4.3 Mining history	11
3 Golden Gate Graphite-Gold Project.....	13
3.1 Access and infrastructure	13
3.2 Geological setting.....	13
3.2.1 Project geology.....	13
3.3 Project history	14
3.3.1 Exploration	14
3.4 Historical estimates.....	18
3.5 Metallurgy.....	21
3.6 Ore Reserves	21
3.7 Exploration potential.....	21
3.7.1 Graphite.....	21
3.7.2 Gold.....	22

4	Croydon Polymetallic Project.....	23
4.1	Introduction	23
4.2	Access and physiography	23
4.3	Geological setting.....	23
4.4	Project history	24
4.5	Exploration potential.....	34
5	Other Considerations.....	35
5.1	Market conditions	35
5.1.1	Graphite market.....	35
5.1.2	Gold market.....	36
5.1.3	Zinc market.....	37
6	Valuation	38
6.1	Valuation approaches	38
6.2	Valuation basis.....	39
6.3	SRK's valuation technique	40
6.3.1	Valuation of Mineral Resources and exploration targets (graphite).....	40
6.3.2	Valuation of exploration potential	40
6.4	Previous valuations and transactions	53
6.4.1	Previous transaction related to the asset.....	53
6.4.2	Previous Valuation related to the asset.....	53
6.5	Valuation of the Golden Gate graphite-gold project.....	54
6.5.1	Historic estimates	54
6.5.2	Exploration potential (area-based alternative)	54
6.6	Valuation of the Croydon Polymetallic Project.....	56
6.6.1	Exploration potential.....	56
7	Valuation Summary	59
8	References	61

List of Tables

Table 1-1:	Specialists	4
Table 2-1:	Climate statistics for Croydon	8
Table 2-2:	Crater Gold Mining Limited's tenement holding.....	8
Table 3-1:	Exploration drilling 1989-1990	14
Table 3-2:	Summary of RC and diamond drilling program at Golden Gate	15
Table 3-3:	Golden Gate - historical estimate of graphite quantities and grades.....	18
Table 3-4:	Summary of RC and diamond drilling program at Golden Gate	19
Table 3-5:	Comparable graphite projects in Australia.....	20
Table 4-1:	Significant intercepts from A2 Anomaly	26
Table 4-2:	Significant intercepts from A1 Anomaly	31

Table 6-1:	Suggested valuation approaches according to Development status.....	38
Table 6-2:	Valuation basis of Crater's assets.....	39
Table 6-3:	Graphite transactions with Resources	41
Table 6-4:	Resource based multiple transaction analysis.....	43
Table 6-5:	Global graphite transactions (area based).....	44
Table 6-6:	Area based multiple transaction analysis.....	47
Table 6-7:	Polymetallic transactions (area based)	48
Table 6-8:	Transaction statistics.....	51
Table 6-9:	Geoscientific ratings table (after Xstract, 2010).....	52
Table 6-10:	Implied value of the Golden Gate Project using Comparative Transactions	54
Table 6-11:	Implied Value of Golden Gate's exploration potential using Australian comparative transactions	55
Table 6-12:	Implied Value of Croydon's polymetallic exploration potential using Australian comparative transactions	56
Table 6-13:	Modified Kilburn Valuation of Crater's exploration assets	58
Table 7-1:	Summary of SRK's technical valuation of Crater's mineral assets as at 25 October 2018	59

List of Figures

Figure 2-1:	Schematic mineralisation model for Croydon polymetallic mesothermal veining	11
Figure 3-1:	Extent of graphite mineralisation at Golden Gate deposit	16
Figure 3-2:	Sections through the Golden Gate deposit	17
Figure 3-3:	Comparable Australian graphite Resources	19
Figure 4-1:	Drill hole locations over total magnetic intensity image – Anomaly A2.....	25
Figure 4-2:	Drill hole locations over total magnetic intensity image – Anomaly A1	30
Figure 4-3:	Wallabadah aeromagnetic anomaly target deposit model.....	33
Figure 5-1:	Graphite price (US\$/t) history (Bench Flake Graphite Index)	35
Figure 5-2:	Gold price (US\$/oz).....	36
Figure 5-3:	Zinc price (US\$/lb)	37

List of Abbreviations

Abbreviation	Meaning/ Definition
%	percent
~	approximately
<	less than
>	greater than
A\$	Australian dollars
Ag/ AgEq	Silver/ Silver Equivalent
Au/ AuEq	Gold/ Gold Equivalent
AIG	Australian Institute of Geoscientists
ASX	Australian Securities Exchange
AusIMM	Australasian Institute of Mining and Metallurgy
BAC	Base Acquisition Cost
BFS	Bankable Feasibility Study
CCE	Central Coast Exploration NL
Cg	Graphitic carbon
Crater	Crater Gold Mining Limited with ASX Code: CGN
Croydon Project	Croydon base metal, graphite and gold exploration project in Queensland
CVG	Croydon Volcanic Group
DCF	Discounted Cash Flow
E	east
EIA	Environmental Impact Assessment
EPBC	Environment Protection and Biodiversity Conservation Act (Cwlth)
EPCM	Engineering, procurement and construction management
EPM	Exploration Permit for Minerals
EPMA	Application for Exploration Permit for Minerals
EV	Enterprise Value
Freefire	Freefire Technology Limited
GFC	Global Financial Crisis
Global	Global Resources Corporation Limited
Gold Anomaly	Gold Anomaly Limited – former name for Crater
GME	Gemell Mining Engineers
g/t	Grams per tonne
Ha	Hectares
IER	Independent Expert's Report
IND	Indicated Resource Category
INF	Inferred Resource Category
IP	Induced polarisation
JORC Code 2012	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), 2012.

Abbreviation	Meaning/ Definition
JV	Joint Venture
k	thousand
Km / km ²	Kilometre / square kilometres
Kt	Kilotonnes
Kv	Kilovolt
LoM	Life of Mine
LME	London Metals Exchange
m	metre
M	million
Ma	Million Annum
masl	Metres above sea level
m ³	cubic metre
MEAS	Measured Resource Category
ML	Mining Lease
Moz	Million ounces
Mt	Million tonnes
Mtpa	Million tonnes per annum
MTR	Metal Transaction Ratio
N	north
OC	Open-cut
OCE	Office of the Chief Economist at the Australian Department of Industry, Innovation and Science
Oz	Ounces
Pa	Per annum
PFS	Pre-feasibility Study
PML	Pancontinental Mining Limited
PROB	Probable Reserve Category
Proposed Transaction	Convertible debt to equity transaction between Crater and Freefire
PROV	Proven Reserve Category
QA/QC	quality assurance/ quality control
RC	Reverse Circulation
Report	Independent Specialist Report by SRK
Rights Offer	5:1 Renounceable Rights offer
ROM	Run-of-mine
RSM	RSM Corporate Australia Pty Ltd
S	south
SGH	Spatiotemporal Geochemical Hydrocarbon
SPL	Special Prospecting Licence
SR (bcm)	Strip Ratio (bank cubic metres)
SRK	SRK Consulting (Australasia) Pty Ltd
T	tonne

Abbreviation	Meaning/ Definition
TGC	Total graphitic carbon
The Act	The Mineral Resources Act 1989
TSF	Tailings Storage Facility
µm	micron
US\$	United States dollars
VALMIN Code 2015	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets.
W	west

Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Crater Gold Mining Limited (Crater). The opinions in this Report are provided in response to a specific request from RSM Corporate Australia Pty Ltd (RSM) to do so on behalf of Crater. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

1 Introduction and Scope of Report

1.1 Introduction

RSM Corporate Australia Pty Ltd (RSM) has been engaged by Crater Gold Mining Limited (Crater) to prepare an Independent Expert Report (IER) in relation to a 5:1 Renounceable Rights Issue (Rights Offer) which may include the conversion of up to A\$12 million in debt owed to a related party, Freefire Technology Limited (Freefire), to equity (Proposed Transaction).

In order to complete the IER, RSM subsequently requested SRK Consulting (Australasia) Pty Ltd (SRK) to prepare an Independent Specialist Report incorporating an independent technical assessment and valuation of the Croydon base metals, graphite and gold exploration projects in Queensland (Croydon Project) which forms a significant component of the value of Crater. SRK understands that this report is to be attached as an appendix to RSM's IER.

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

For this valuation, all projects were classified according to the development stage categories as per the VALMIN Code (2015):

- **Early Stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.
- **Production Projects** – Tenure holdings - particularly mines, wellfields and processing plants that have been commissioned and are in production.

SRK has classified the Croydon Project as an Advanced Stage Exploration Project.

1.2 Nature of the brief and summary of principal objectives

This Independent Specialist Report (Report) was initiated by Mr Sam Byford, Senior Manager – Corporate Finance at RSM on 8 June 2018.

SRK was engaged to review the available technical information pertaining to the Croydon Project of Crater and provide RSM with a technical assessment and valuation of any defined resources and/or any exploration potential associated with the tenements.

SRK has selected the most appropriate valuation technique for the Project, based on the maturity of the Project and the available information. This Report expresses an opinion regarding the value of the Project as directed in SRK's mandate from RSM. This Report does not comment on the 'fairness and reasonableness' of any transaction between the owners of these mineral interests and any other parties.

1.3 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). It should be noted that the authors of this Report are Members of either, or both, the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both the VALMIN and JORC codes. For the avoidance of doubt, this Report has been prepared according to:

- the 2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code); and
- the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

As per the VALMIN Code (2015), a first draft of the report was supplied to RSM and Crater to check for material error, factual accuracy and omissions before the final report was issued. SRK's scope of work was limited to the second draft of the Report after a round of edits by RSM and Crater. The final report was issued following review of any comments by the project team.

For the purposes of this Report, value is defined as 'market value' being:

"the amount of money (or the cash equivalent of some other consideration) for which a mineral asset should change hands on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing, wherein the parties each acted knowledgeably, prudently and without compulsion" (VALMIN Code, 2015).

All monetary figures used in this report are expressed in either United States dollar (US\$) or Australian (A\$) dollar terms.

1.4 Work program

This assignment commenced in June 2018, with a review of publicly available data and other information sourced by SRK from literature, as well as subscription databases such as S&P Global Market Intelligence (formerly SNL) database services. Company information was uploaded to an online dataroom and SRK consultants worked through the datasets and completed research on comparable market transactions to assist with the valuation. Subsequent to delays in the publication of the IER; RSM requested SRK prepare and update the ISR report in October 2018.

SRK notes that the VALMIN Code (2015) recommends that a site inspection be completed should it be 'likely to reveal information or data that is material to the report'. A site visit was not undertaken to any of the Project sites, which are the subject of this Report, as these assets remain in the early stages of assessment and as such, SRK considered a site visit was unlikely to reveal material information not already available in the supplied information.

1.5 Legal matters

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations in regard to the ownership and legal standing of the mineral tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to local heritage or potential environmental or land access restrictions.

SRK has relied upon the representations made by Crater regarding the current standing of the permits, having undertaken limited validation against the Queensland Government's online tenure database. SRK has sighted documentation available at the relevant Government Agency and has prepared this Report on the understanding that all the tenements of Crater are currently in good standing, and that there is no cause to doubt the eventual granting of any tenement renewals. The tenement schedule as supplied to SRK is listed in Table 2-2.

1.6 Information basis of this Report

SRK has derived the technical information, which forms that basis of its Report on information provided by Crater. SRK has supplemented this information, where necessary, with information sourced from the public domain. However, where discrepancies arise and no alternative comments are provided, data and interpretations provided by Crater prevail in this Report. The past exploration history for these tenements has been derived from the reports of previous explorers, as provided by Crater and verified by SRK, as well as government records of exploration activities within the project areas.

The principal sources of information are included in Section 8 (References). The Report has been prepared to include information available up to the date of this Report. Crater has stated that all information provided by Crater may be presented in the Report and that none of the information is regarded as confidential.

1.7 Project team

SRK is an independent, international group providing specialised consultancy services. Among SRK's clients are many of the world's mining companies, exploration companies, financial institutions, EPCM (engineering, procurement and construction management) firms and government bodies. Formed in Johannesburg in 1974, the SRK Group now employs some 1,400 staff internationally in 45 permanent offices in 20 countries on six continents. A broad range of internationally recognised associate consultants complements the core staff. In Australia, SRK employs ~100 people in offices located in Brisbane, Melbourne, Newcastle, Perth and Sydney.

The SRK Group's independence is ensured by the fact that it is strictly a consultancy organisation, with ownership by staff. SRK does not hold equity in any project. This permits SRK's consultants, and Associates, to provide clients with conflict-free and objective support on crucial issues.

This Report has been prepared by a team of consultants from SRK's offices within Australia. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

Table 1-1: Specialists

SRK Personnel	Project Role
Bryce Healy	Associate Consultant (Geology)
Jeames McKibben	Principal Consultant (Project Management and Peer Review)
Mathew Davies	Senior Consultant (Comparative Transaction Analysis)

This Report was prepared by SRK Associate Consultant Dr Bryce Healy (Geology). Mr Jeames McKibben, Principal Consultant (Project Evaluations) undertook internal peer review. Dr Healy is employed on an Associate basis to SRK Consultant (Australasia) Pty Ltd. Mr McKibben is a permanent employee of SRK Consulting (Australasia) Pty Ltd.

The information in this Report that relates to Exploration Results on Golden Gate graphite-gold Project and the Croydon Polymetallic Project is based on, and fairly represents, information and supporting documentation compiled by Dr Bryce Healy. Dr Healy is a Member of the Australian Institute of Geoscientists (AIG), and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code.

SRK has not performed, nor does it accept the responsibilities of a Competent Person as defined by the JORC Code (2012) in respect of the Exploration Results, Mineral Resources and Ore Reserve estimates presented in this Report.

Bryce Healy, BSc (Hons) (Geology), PhD (Geology), MAIG – Principal Associate Consultant

Bryce Healy is a structural geologist with over 15 years' experience, including over 13 years consulting experience in the exploration and mining sector. Bryce has developed a broad technical background across minerals commodities. Bryce is technically proficient and an experienced project manager in a range of areas – geology exploration programs including target generation and prospectivity analysis; minesite structural geological risk reviews; independent technical reviews, asset valuation and due diligence for exploration and mining projects for the resource and finance sectors.

Mathew Davies, BSc Hons (Geology), MAusIMM – Senior Consultant

Mathew Davies is a geologist with over eight years' experience in the Australian mining industry. His experience includes over six years' experience working as a consultant for SRK and three years' working as an exploration geologist. Mathew is technically proficient in project valuation and has experience in valuation for a broad range of commodities and geological settings, including coal, iron ore, copper, gold, lead, zinc, silver, tin, nickel, molybdenum, heavy mineral sands, niobium, tantalum and graphite.

Jeames McKibben, BSc Hons, MBA, Chartered Valuation Surveyor (MRICS), MAusIMM(CP), MAIG – Principal Consultant

Jeames McKibben is an experienced international mining professional having operated in a variety of roles including consultant, project manager, geologist and analyst over more than 25 years. He has a strong record in mineral asset valuation, project due diligence, independent technical review and deposit evaluation. As a consultant, he specialises in mineral asset valuations and Independent Technical Reports for equity transactions and in support of project finance. Jeames has been responsible for multi-disciplinary teams covering precious metals, base metals, bulk commodities (ferrous and energy) and other minerals in Australia, Asia, Africa, North and South America and Europe. He has assisted numerous mineral companies, financial, accounting and legal institutions and has been actively involved in arbitration and litigation proceedings. Jeames has experience in the geological evaluation and valuation of mineral projects worldwide.

1.8 Effective date

The effective date of this Report is 25 October 2018.

1.9 Limitations, reliance on information, declaration and consent

1.9.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by Crater throughout the course of SRK's investigations as described in this report, which in turn reflect various technical and economic conditions at the time of writing. Such technical information as provided by Crater was taken in good faith by SRK. SRK has not independently verified Mineral Resources estimates by means of recalculation.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding's occur, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by Crater was complete and not incorrect, misleading or irrelevant in any material aspect.

Crater has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of its knowledge and understanding, the information provided by them, was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.9.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with Crater regarding the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

1.9.3 Indemnities

As recommended by the VALMIN Code (2015), Crater has provided SRK with an indemnity under which SRK is to be compensated for any liability and/ or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Crater or Crater not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.9.4 Consent

SRK consents to this Report being included, in full, in RSM's documents in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessment expressed in the Summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete report.

1.9.5 Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A\$13,000. The updates to this report in 2018 was paid at SRK's normal schedule of rates. The payment of this professional fee is not contingent upon the outcome of this Report.

2 Corporate Structure and Project Tenure

2.1 Corporate structure

Crater Gold Mining Limited (ASX: CGN, or “Crater”) is the authorised holder of, and retains, a 100% interest in Exploration Permit Minerals (EPM) 8795, 18616, 13775 and 16002 and Exploration Permit Minerals Application (EPMA) 26749 near Croydon in North Queensland. Crater Gold Mining Limited was formerly Gold Anomaly Limited (Gold Anomaly), which in turn was formed by the friendly takeover of Anomaly Resources Limited by Gold Aura Limited (Gold Aura) in November 2009.

2.2 Location, access, climate and physiography

Croydon is located approximately 1,490 km northwest of Brisbane, 150 km southeast of Normanton and 530 km by road west-southwest of the coastal city of Cairns, at a driving time of about six hours. Locally, the Project tenements surround and lie approximately 30 km to the north of the regional centre of Croydon.

More specifically, the Project tenements fall within the Normanton (SE54-7) and Croydon (SE54-11) 1:250,000 scale and Wallabadah (7362) and Croydon (7361) 1:100,000 scale map sheets.

The road is part of the Gulf Development Road, a 442 km – mainly single lane – sealed bitumen road which is part of the overall 760 km road distance from Cairns to Normanton, near the Gulf of Carpentaria. From the coastal port city of Townsville, a major source of mining equipment and services, the driving distance to Croydon is about 700 km.

Crater’s Croydon Project tenements are accessed from the town of Croydon (population 312; 2011 census) via the adjacent Gulf Development Road. Croydon is well served in terms of infrastructure, with air and road access, existing water and power supplies, a public library, recreational facilities (pool, golf course, etc.) and primary school.

Croydon is set in the Croydon Uplands, which forms the westernmost part of the Gregory Ranges. The vegetation is typical of the Gulf Savannah region, being flat grass and scrublands. The terrain is generally flat and featureless, with relief of less than 5 m passing into undulating hills of the Croydon Uplands. Elevations range from 65 m to 250 m. Stream gradients are low and the Einasleigh and Gilbert rivers occupy beds up to 2 km in width, which are intensely braided and contain fine-grained alluvium. These rivers drain northwest into the Gulf of Carpentaria.

Vegetation consists of broad belts of medium density scrub and forest, interspersed with open grassy plains. The distribution of these belts closely mirrors the drainage pattern, with forests largely restricted to deposits of sandy alluvium. Poorly drained soils are characterised by stands of paper bark. The soil is mainly red dirt and of poor quality.

The wet season usually begins around November and lasts until May. The rainfall is predominantly monsoonal and heavy downpours are common. The town of Croydon can be regularly isolated by flood waters for short periods during the wet season. Access within the Project area is often severely limited during the January to March period, due to widespread boggy conditions.

The long-term average climate statistics for Croydon are shown in Table 2-1. The district of Croydon and most of the surrounding districts have been drought declared for over two years.

Table 2-1: Climate statistics for Croydon

Month	Mean maximum temperature (°C)	Mean minimum temperature (°C)	Mean rainfall (mm)
January	35.1	24.5	221.4
February	34.2	24.2	180.5
March	34.1	23.4	115.9
April	33.6	21.4	24.9
May	31.5	18.1	7.9
June	29.2	14.7	8.4
July	29.1	14.0	3.9
August	31.1	15.9	2.6
September	34.2	19.4	5.5
October	36.8	22.8	13.8
November	37.7	24.6	44.7
December	37.0	24.9	114.7
Annual	33.6	20.6	744.6

2.3 Project tenure

Crater's Croydon Projects' tenements comprise four granted EPMs, which are resource authorities held under the provisions of the *Mineral Resources Act 1989* ("the Act").

Crater Gold Mining Limited is the registered holder of all the EPMs and retains 100% equity interest in these permits. The status of the Project tenements held by Crater is detailed in Table 2-2.

Table 2-2: Crater Gold Mining Limited's tenement holding

Title	Name	Granted	Expiry	Sub-blocks	Area (Ha)	Native Title Category
EPM 8795*	Croydon	7/09/92	9/06/2018	3	976	Pre-existing Right Based Act
EPM 18616	Black Mountain	19/06/13	18/06/2023	18	5,855	Expedited Procedures Processing
EPM 13775	Wallabadah	6/03/03	03/05/2020	5	1,629	
EPM 16002	Foote Creek	31/01/08	30/01/2021	9	2,933	
EPMA 26749**	Wallabadah Extended	NA	NA	36	11,729	

Notes:

* renewal lodged;

** Application Stage.

The Golden Gate graphite project is secured by EPMs 8795 and 18616, and the Croydon polymetallic project is secured by EPMs 13775 and 16002 and EPMA 26749. Three of the tenements are under Expedited Procedures Processing Category and are not anticipated to have material effects on native title rights and interests. SRK understand that there are no third-party royalties or entitlements associated with the Croydon Project tenements.

2.4 Croydon sub-province

Geologically, the Croydon polymetallic and Golden Gate graphite projects are located in the Croydon sub-province in the western part of the Proterozoic age Georgetown Inlier which occupies some 100,000 km² of northeastern Australia. Although the basement units of the inlier are not exposed, the basement is inferred to comprise metasedimentary rocks of the Etheridge Group and predominantly Proterozoic felsic igneous rocks of the Esmeralda Supersuite, which are particularly extensive along the western margin of the inlier. The basement terrain is blanketed by the Croydon Volcanic Group (CVG) which dominates the Croydon Sub-province.

Exposed volcanic rocks of the Croydon Sub-province consist mainly of densely welded, recrystallised rhyolitic and rhyodacitic ignimbrite and less common dacitic ignimbrite and rhyolite flows. The volcanics are intruded by the Esmeralda Supersuite, which is demonstrably co-magmatic with the Croydon Volcanic Group. The suite shows evidence of a shallow level of emplacement and is dated at around 1,550 Ma, emplaced probably close to the end of the main deformation event in the Etheridge Province. The igneous suite comprises a series of transitional I-type to S-type granites and monzogranites, with lesser granodiorites that are variably fractionated, reduced to oxidised, weakly peraluminous to peraluminous, and hydrothermally altered in parts.

Crater's permits are located over the concealed Esmeralda Granite of the Esmeralda Supersuite. The granite forms a large batholith approximately 80 km long and up to 20 km wide along the western side of the Croydon Cauldron. Where exposed in outcrop, the granite is uniform in texture, comprising medium-grained homogeneous biotite adamellite, with subordinate zones of granodiorite and minor facies variants and minor pegmatite and aplite veins.

To the west, the batholith is overlapped by the sediments of the Great Artesian Basin. Quartzose, arenaceous sedimentary rocks of the Inornie Group, unconformably overlie the CVG.

2.4.1 Mineralisation

The Esmeralda Supersuite, and in particular the Esmeralda granite, is spatially and genetically related to the mesothermal gold mineralisation of the Croydon goldfield, where it occurs in both the CVG and the intrusive suite. The granite-hosted lodes (or reefs) up to 9 m wide comprise multiple quartz veins shallowly dipping within an envelope of sheared granite and graphitic granite generally within several hundred metres of the granite contact. Ore shoots appear to be predominantly controlled by the interaction of graphitic granite, intersections with thrust faults and the intersection of reefs or shear zones. The intrusive contacts are sharp, and recrystallisation of the groundmass of the volcanic units is the main metamorphic effect. Reefs comprise graphite, arsenopyrite, minor pyrite, galena and sphalerite, traces of gold (electrum), copper (in bullion) and rarely, native silver. Silver mineralisation (in particular, native silver) appears restricted to the granite.

The mineralisation is associated with extensive areas of hydrothermal alteration where the nature of the gold lodes suggests that ore deposition was post-magmatic into fractures and faults within the consolidated CVG and Esmeralda Granite. The origin of the gold may have been the original I-type parental magma or possibly assimilated from sources within the Etheridge Group which is known to contain disseminated replacement (Carlin-style) gold deposits (Denaro et al., 1997).

Tin occurs as primary lode deposits in both the Esmeralda Granite and the CVG (e.g. the irregular seams and/or shoots of cassiterite of the Stanhills and Mount Cassiterite areas) which are hosted along generally near-vertical joints or fissures. Silver, lead and copper mineralisation is also associated along the granite and adjacent country rocks margin.

In the Croydon area, the Esmeralda Granite and to a lesser extent, the CVG, contains abundant graphite. A feature of the granites is the presence of lenses of graphitic granite up to 250 m wide and several kilometres long. In these zones, which predominantly occur at the granite margins, the granites contain abundant graphitic sedimentary enclaves and disseminated graphite set in a matrix of intensely hydrothermally altered and sheared granite. Extensive areas of hydrothermal alteration appear related to Proterozoic volcanism and infer a Proterozoic age for the mineralisation. These sheared and quartz veined zones have been postulated as weakened structural zones that acted as channels for gold-bearing fluids. The interaction with graphite is possibly an important chemical trap for gold deposition.

Carbon isotope analysis of graphite samples from within the CVG, Esmeralda Granite, and enclaves, and of the carbonaceous and graphitic units in the basement rocks of the Etheridge Group support a geological model of the graphite in the igneous rocks being derived from the Etheridge Group (Mackenzie, 1988), which contains abundant carbonaceous and pyritic mudstone and siltstone.

The graphite is particularly abundant in the gold-bearing zones along, and close, to the contact.

2.4.2 Mineralisation models

Intrusive related hydrothermal systems and a mesothermal mineralisation model are proposed for the mineralisation associated with the Golden Gate graphite-gold project and the Croydon polymetallic project within the Croydon Sub-province.

A deposit model consists of sheeted vein mineralisation developed within the Proterozoic host rocks, resulting from fluids emanating from a granitic intrusion laterally or at depth. The host rocks to mineralisation vary from the intrusive and proximal CVG at Golden Gate, to undifferentiated metasediments (favoured to be the Etheridge Group) at Croydon.

A granitic source is inferred for the anomalous levels of gold, silver, tin, graphite and base metals. The gold may have been sourced from the oxidised portions of the parental magma, but once reduced through assimilation of country rock (of the Etheridge Group), became an important source of tin and graphite, with minor amounts of elevated lead, zinc, copper and silver. Gold, silver and tin mineralisation is concentrated proximal to the granite source, while lead and zinc mineralisation is better developed in more distal settings.

Igneous or hydrothermal-style graphite deposits, such as those observed in the Esmeralda granite, are uncommon. The more common metamorphic-style graphite deposits make up 95% of the world's known graphite deposits. Globally, hydrothermal-style graphite deposits are characteristically of high purity graphite in either flake or crystalline form.

It is assumed that regional-scale faults are important pathways to fluid channelling within the hydrothermal system, and also play an important role in developing trap sites for metal deposition.

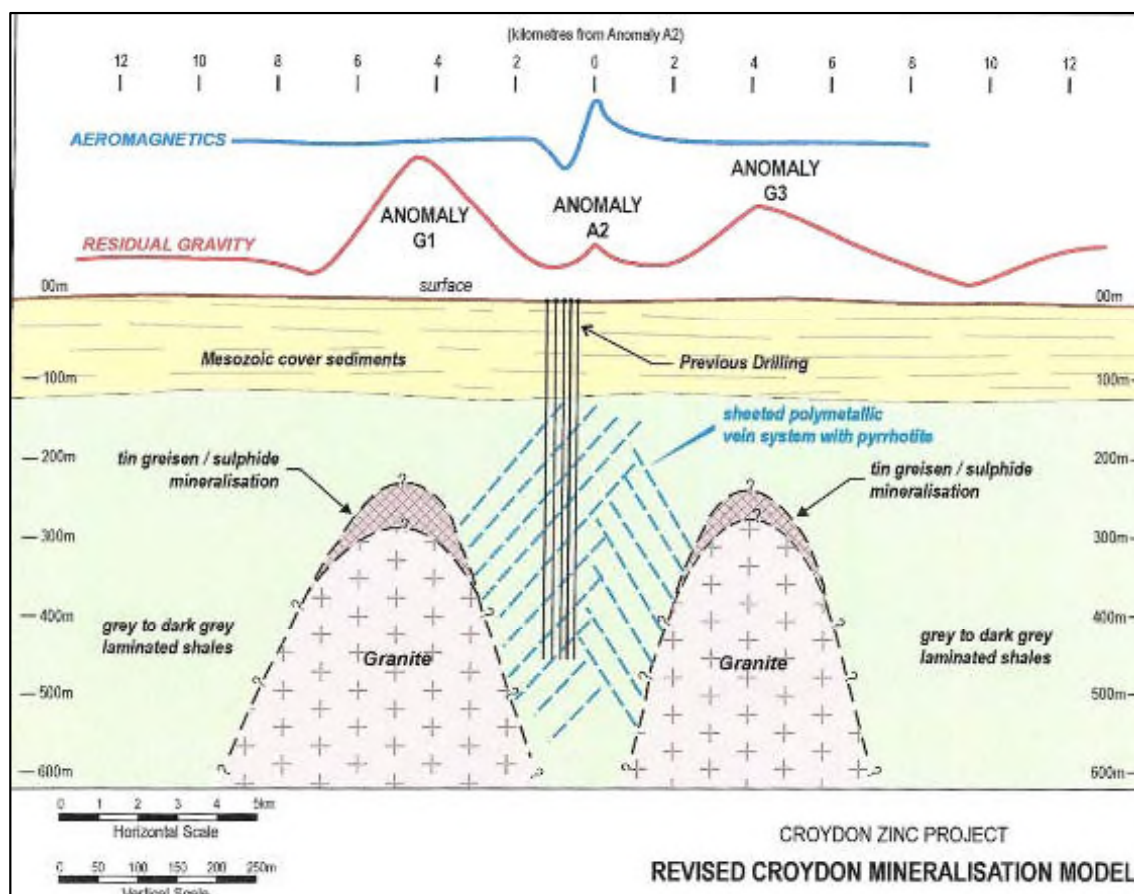


Figure 2-1: Schematic mineralisation model for Croydon polymetallic mesothermal veining

2.4.3 Mining history

Croydon's mining history has been based on gold, with graphite and base metals emerging only recently as secondary commodities for potential development and production.

Following discovery of a gold reef in mid-1883, Croydon went on to be one of Queensland's major goldfields and was worked principally for gold between 1885 and 1906, with at least 110 mines operated around the township of Croydon (formally founded as a gold mining town in 1885). Numerous workings targeted a large number of relatively flat-lying and laterally persistent fissure lodes in the granite and more steeply dipping lodes in the adjacent volcanic rocks. Historic production of fine gold extracted from high grade ore shoots from the field between 1886 and 1935 was ~760,000 oz of gold and ~804,000 oz of silver (Edwards, 1953).

The ore shoots were characterised by high gold grades at surface which dropped away significantly in both volume and grade with depth, and eventually terminated. Anecdotally, the lodes hosted within the granites carried significantly higher fine gold grades (and were silver bearing) compared to the lodes hosted within the volcanics. This restricted economic workings, during that period, in the volcanics to ~90 m depth compared to ~150 m depth in the granites. Historic records suggest many of the worked lodes had terminated by these depths. Decreasing fineness of the gold mineralisation with depth is also noted as contributing significantly to the closure of many mines at shallow depth (Wallis et al., 1998).

As a number of operations began to simultaneous fail, the drop-in production from the goldfield was dramatic and by the early 1920s, production had ceased.

Between 1936 and 1939, in order to encourage prospecting, the Queensland Department of Mines drilled 16 holes, totalling 2,234 m, targeting deeper extension of those established lodes.

No commercial mineralisation was encountered, and the goldfield was virtually unworked since World War II. The definition of 'commercial grade' at that time is not documented.

Despite the cessation of production, from the late 1960s, the Croydon district was subject to intensive gold exploration programs by a number of companies, the most active and successful of which were Central Coast Exploration NL (CCE), Pancontinental Mining Ltd (PML), and Barrack Mines Ltd (through subsidiary Central Coast Exploration NL). During the 1980s, these companies mined a number of open pits and one underground operation was established.

Between November 1987 and August 1990, PML and CCE mined 1.25 million tonnes (Mt) from 10 separate open pits, at a grade of 2.33 g/t gold and 7.9 g/t silver for a recovery of 83,475 oz of gold and 142,214 oz of silver. The operation ceased in 1990 due to the corporate collapse of CCE's parent company, Barrack Mines. This production brought the official gold production for Croydon to 844,642 oz of gold and 946,237 oz of silver.

3 Golden Gate Graphite-Gold Project

3.1 Access and infrastructure

The key Project tenements are located 4 to 7 km northwest of Croydon, straddling both the Gulf Development Road and the Gulflander tourist railway line, which runs weekly from Croydon to Normanton.

Croydon is located 530 km by road west-southwest of the major coastal city of Cairns, at a driving time of about six hours. The road is part of the Gulf Development Road, a 442 km – mainly single lane – sealed bitumen road which is part of the overall 760 km road distance from Cairns to Normanton, near the Gulf of Carpentaria. From the coastal port city of Townsville, a major source of mining equipment and services, the driving distance to Croydon is ~700 km. Should a commercial operation be established in the tenure, the area is well serviced for export infrastructure with the port of Karumba on the Gulf of Carpentaria that serviced the now-closed Century lead-zinc mine located approximately 150 km from Croydon.

The Project area is accessed from Croydon via the adjacent Gulf Development Road. Croydon is well served in terms of infrastructure, with air and road access, existing water and power supplies.

3.2 Geological setting

3.2.1 Project geology

The Golden Gate line of workings falls entirely within the Mid-Proterozoic Esmeralda granite. The granite does not outcrop as it is covered by a thin Quaternary/ Tertiary sedimentary deposit. Granite commonly recorded on the mullock dumps took the form of a medium- to coarse-grained, leucocratic biotite granite, which is pink to grey in colour. A feature of the granite is the presence of graphite as a generally trace to minor constituent. A reverse circulation (RC) percussion drilling program showed that a graphite-enriched zone envelopes the auriferous quartz veining, together with a largely overlapping zone of pyrite impregnation of the host rock.

The Golden Gate Reef was mapped along a NNW trending strike length of 1.7 km by tracing the original shallow diggings. The location of the reef was inferred for a further strike length of 600 m from drill section interpretations and by reference to historical data. The most commonly interpreted dip was 16°E.

Both the Esmeralda granite and the overlying rhyolite host graphitic mineralisation, with the graphite occurring mainly as oval to spherical pods dispersed in the rocks, up to about 15% by volume. Pods larger than 10 mm in size contain cores made up of fine-grained graphitic aplite. The main graphite zone follows the contact between the granite and the volcanic rhyolite. RC drilling has shown the graphite extends for about 1,800 m (Figure 3-1).

3.3 Project history

3.3.1 Exploration

The discovery of graphite mineralisation at Golden Gate by CCE (a subsidiary of Barrack) was initially on the back of a broader percussion drilling program for vein gold along two main vein systems that defined the Golden Gate line of lode. While no graphite assays were recorded in the initial percussion drilling program, the drill logs clearly identified zones of graphite-rich granite (Figure 3-1, Figure 3-2). The gold mineralisation, occurring in a series of shallowly northeast-dipping, north-northwest striking quartz veins, and associated stockworks and breccias, were spatially associated with graphite, with the most significant graphite development within and proximal to the Golden Gate mine, a large, low grade open pit operated by Barrack Mines Ltd from 1987 to 1990. The line of quartz reefs and associated graphitic-rich granite extend southwards to the abandoned Golden Butterfly Mine.

From 1989 to 1990, CCE conducted an exploration/ evaluation program for both gold and graphite in and around the mine. Table 3-1 and Table 3-2 summarises the CCE drilling undertaken for the Project.

Table 3-1: Exploration drilling 1989-1990

Period	Type	Holes	Total metres	Minimum metres	Maximum metres	Average metres	Dip
1989	RC	19	1,203	30	97	63	Vertical
1990	DDH	4	330	58	106	83	vertical

Subsequently, graphitic samples were initially collated from the bulk residues of the gold program percussion drilling and submitted for preliminary metallurgical work by CCE. In 1989, on the basis of this program, additional RC drilling (19 holes) was undertaken to specifically outline a graphite resource.

Table 3-2: Summary of RC and diamond drilling program at Golden Gate

Hole Number	Co-ordinates (MGA 84)		End of Hole	Graphite intersection		Average Cg% grade (@ 2% cut-off)
	Northing	Easting		From (m)	To (m)	
GGRC 2001	24201	9550	50	44	50	3.5
GGRC 2002	23998	9584	44	-	-	-
GGRC 2003	24000	9701	91	48	78	7.3
GGRC 2004	23859	9642	76	32	74	6.6
GGRC 2005	24101	9773	97	37	93	6.0
GGRC 2006	24200	9799	93	60	89	4.5
GGRC 2007	24200	9699	60	3	56	5.8
GGRC 2008	24300	9649	66	-	-	-
GGRC 2009	24399	9699	66	-	-	-
GGRC 2010	24699	9799	30	3	7	3.6
GGRC 2011	24901	9700	66	-	-	-
GGRC 2012	25000	9949	48	2	40	4.8
GGRC 2013	24999	10049	66	-	-	-
GGRC 2014	25200	10050	80	55	78	4.8/3.3
GGRC 2015	23799	9324	48	5	24	3.8
GGRC 2016	25384	9898	48	17	24	2.5
GGRC 2017	25599	10099	48	7	28	3.8
GGRC 2018	24395	10312	66	-	-	-
GGRC 2019	26600	10400	60	-	-	-
GGDH 1	23850	9700	104.65			
GGDH 2	24100	9795	105.90			
GGDH 3	24250	9750	58.00			
GGDH 4	25000	10000	72.00			

Based on carbon grades alone, a preliminary total Indicated and Inferred level of confidence estimate of 16.5 Mt grading 6.5% Cg was estimated (this is a historical estimate and is not reported in compliance with the JORC Code). There is no further documented information regarding the estimation process and parameters within this estimate now superseded.

In 1990, core drilling at four sites was completed to provide samples for metallurgical testwork, including heavy liquid separation and froth flotation. The results of this testwork are not documented; however, CCE notes that the samples failed to provide the required grade/ recovery relationships. The actual grade/ recovery analysis is not documented, nor is an understanding of the economic requirements documented.

The RC drilling program intersected the gold-bearing quartz reef in three holes; in each case, the reef was adjacent the graphitic zone. Samples from the program were assayed for gold and silver in addition to carbon content. Drill hole GGRC 2001 returned 4 m at 2.5 g/t gold. Drill hole GGRC 2014 intersected 6 m of stoping in the equivalent horizon just below the graphitic zone. Drill hole GGRC2019 returned negligible gold and silver results. Overall, the gold assay results were discouraging in the graphitic zones and did not warrant further assessment. The follow-up diamond drilling program also returned negligible gold and silver analysis.

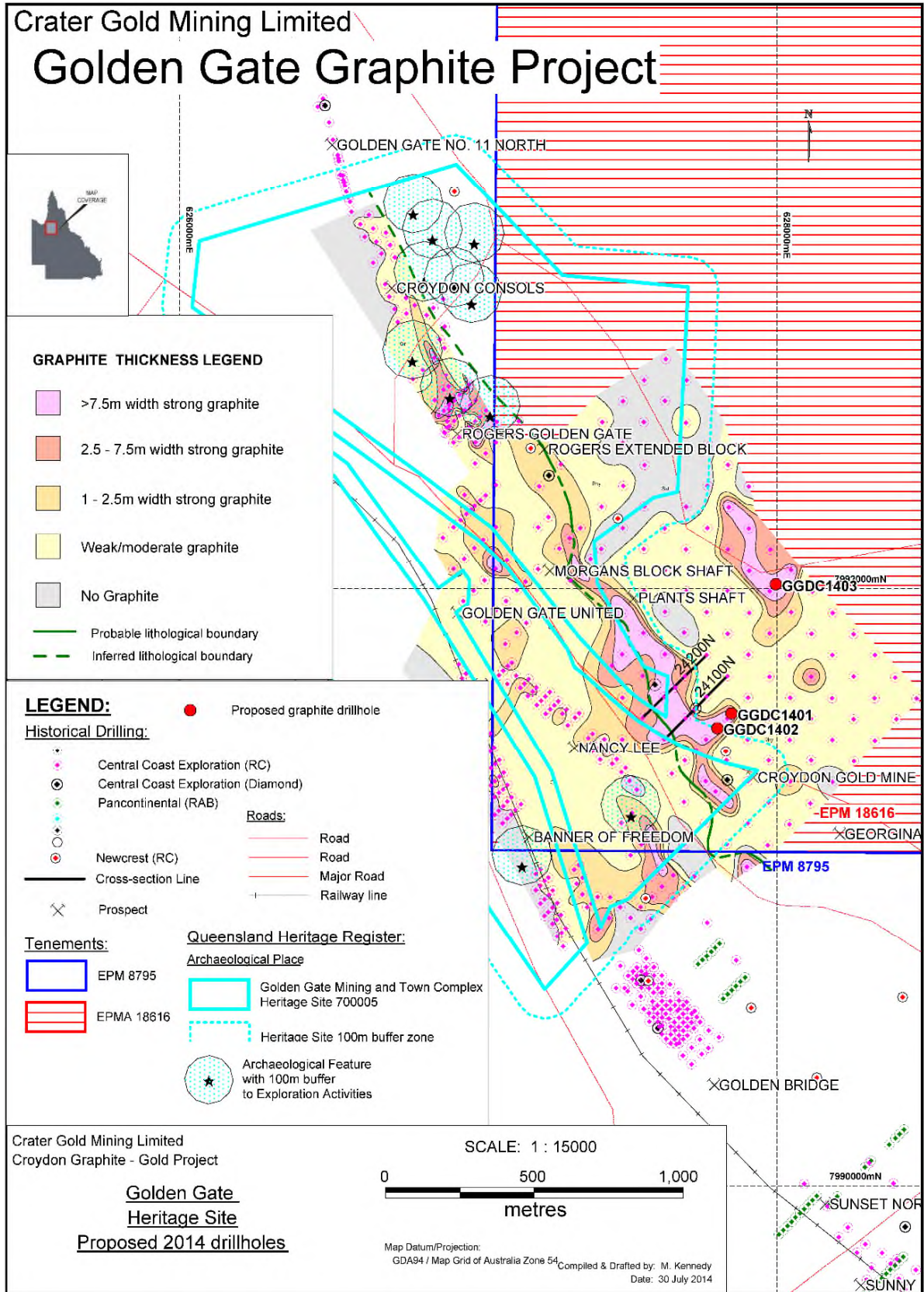


Figure 3-1: Extent of graphite mineralisation at Golden Gate deposit

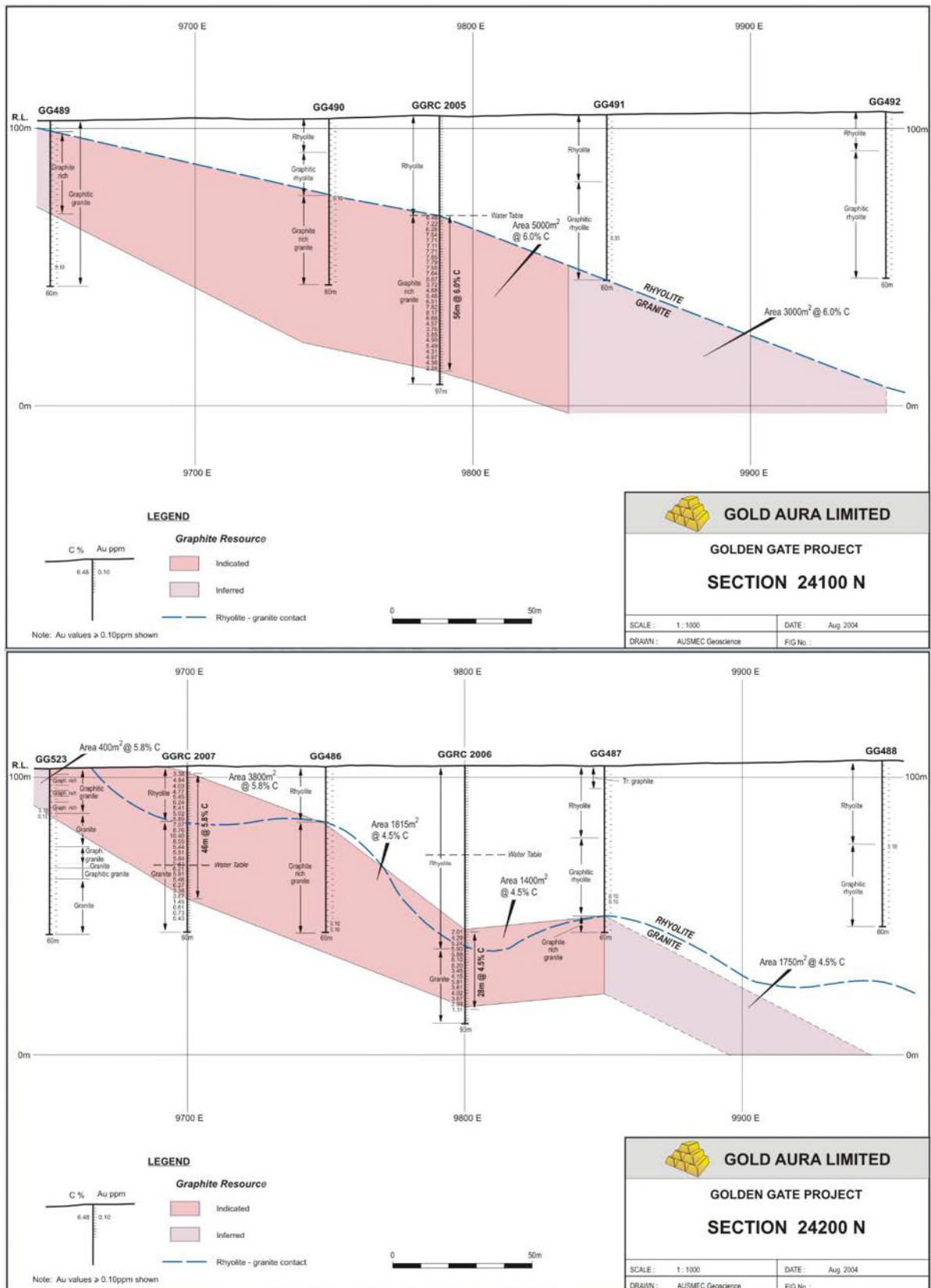


Figure 3-2: Sections through the Golden Gate deposit

3.4 Historical estimates

There are no current Mineral Resources reported in compliance with the JORC Code. The historical quantity and grade estimates for the Project were estimated and reported by K Silva of Barrack Mines Ltd in February 1990, covering the area between 23,800 mN and 25,400 mN, to a maximum depth of 100 m. The estimates were based on the early percussion and RC drilling results prior to the drilling of the four cored holes.

Although not directly stated in Silva's report, it is assumed that the reporting protocol followed the discipline of the 1989 JORC Code, published in February 1989, which was current at that time. The same provisions applied in that code in terms of translating or converting Measured and Indicated Mineral Resources to Proved and/or Probable Ore Reserves, subject to the usual environmental, permitting, metallurgical, marketing and other constraints which have always been a part of the JORC Code.

Silva's "preliminary resource estimate" is shown in Table 3-3. A 2% graphitic carbon (Cg) cut-off grade and an assumed density of 2.0 t/m³. The total estimate was reported to have 1,165,000 contained tonnes of graphitic carbon.

Table 3-3: Golden Gate - historical estimate of graphite quantities and grades

Category	Tonnes (Mt)	Grade (% Cg)
Indicated estimate	9.13	5.52
Inferred estimate – Category A	7.40	5.62
Inferred estimate – Category B	4.65	5.50
Total estimate	21.18	5.5

This estimate was released by Crater to the market in 2012 (ASX Release dated 24 July 2012). Crater note in this release that as historical estimates they require substantiation by further drilling, assaying and metallurgical testwork by Gold Anomaly.

Assay of drill cuttings by Classic Comlabs (AMDEL) using the Leco technique reported up to 11% Cg, with an average grade of 5% Cg for most zones. Silva speculates that due to the loss of finely crushed graphite into air and water during RC drilling, the actual in situ Cg grade is likely to be higher than assayed, and the loss could be in excess of 50%, since graphite grinds faster than silicates during RC drilling. Silva suggests that although the total resources in Table 3-2 have an estimated grade of 5.5% Cg, the average grade may be closer to 10% Cg. However, the correlation of assay results between the four diamond holes drilled by CCE and the RC holes on which the estimate is based suggest the losses could be immaterial.

The estimation model of quantity and grade is not available for review and cannot be verified by SRK. The historical estimate is not in compliance with the JORC Code 2012 and additional exploration work would need to be undertaken to assess the Resource potential of the mineralisation, and then report in accordance with the current version of the JORC Code. This additional work includes providing a materially greater level of certainty around the size and the grade of the deposit (and potential for higher grade zones) through drilling and sampling practices which are more appropriate for the style of mineralisation. Additional exploration is also required to provide an adequate number of samples for beneficiation and metallurgical testing, so as to allow the application of a 'reasonable prospects for economic extraction' test to the Resource estimate.

The historical estimate ranks reasonably in terms of recent Australian graphite Resources reported in accordance with the JORC Code (Table 3-5 and Figure 3-3).

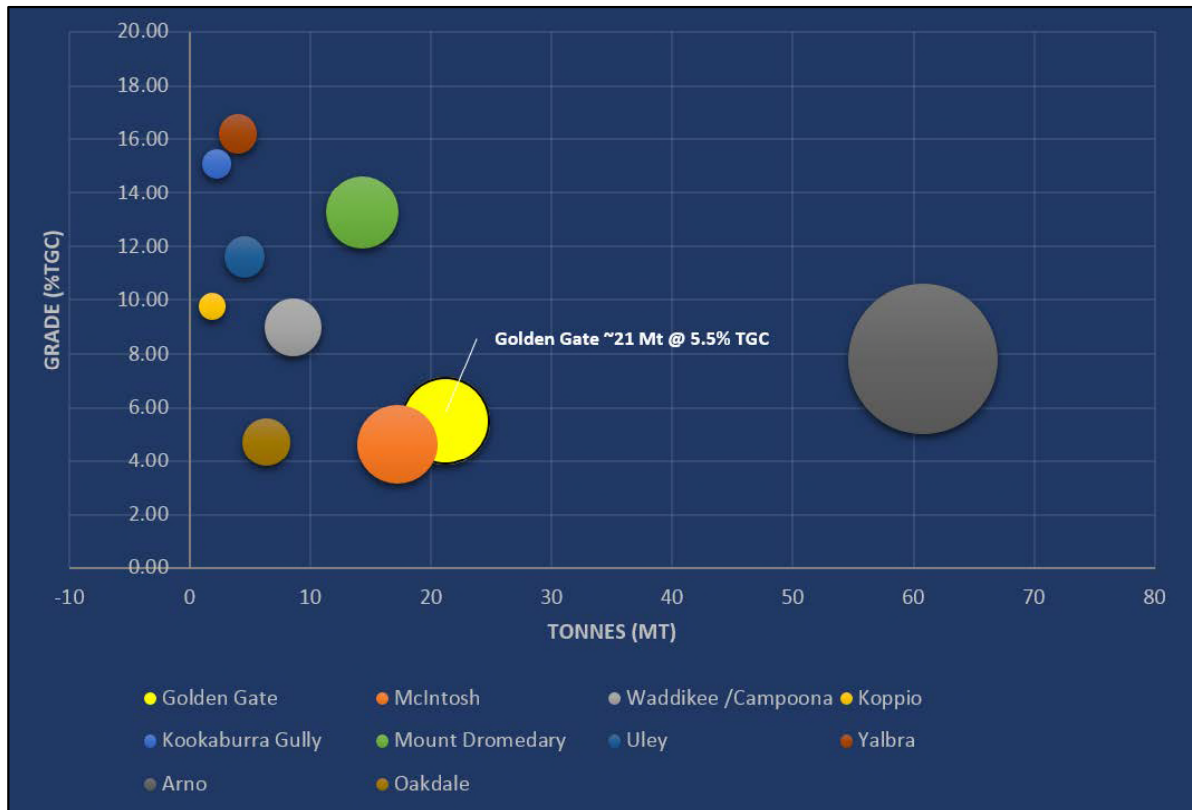


Figure 3-3: Comparable Australian graphite Resources

In July 2004, Crater, then named Gold Aura Ltd, undertook a preliminary assessment of the graphite mineralisation identified at the previous Golden Gate gold mine based on the available exploration data. Gold Aura Ltd noted in a 2004 ASX release (ASX Release 24 July 2012 and 27 July 2004) that the estimate by Barrack (20 Mt grading 5.5% Cg) included a high-grade zone of 6 Mt at 10% Cg.

Three vertical RC holes were also drilled by the Company between 2005 and 2007, which confirmed the presence of widespread graphite zones at Golden Gate.

In 2017, Crater completed two diamond core drill holes (GGDDH 1701 and GGDDH 1702) as part of a confirmatory drilling program proximal to historic holes GGRC 2005 and GGDH2 drilled by Central Coast Exploration (CCE)(ASX Release 7th February 2018). Thick zones of graphite mineralisation were intersected in both holes (Table 3-4) approximately at the depth of, and of the approximate grade reported for, the previously documented historical holes. The drilling has given confidence to the historic exploration results.

Table 3-4: Summary of RC and diamond drilling program at Golden Gate

Hole Number	Co-ordinates (MGA 84)		End of Hole	Graphite intersection		Average Cg% grade	Cg% grade cut-off
	Northing	Easting		From (m)	To (m)		
GGDDH 1701			100.7	29.3	92.0	6.79	3.4
<i>including</i>				66.0	73.0	10.05	9.4
GGDDH 1702			126.6	69.1	123.0	6.79	3.1
<i>including</i>				101.0	115.0	8.41	5.9

Table 3-5: Comparable graphite projects in Australia

Company	Crater Gold Ltd	Hexagon Resources	Archer Exploration	Lincoln Minerals	Lincoln Minerals	Graphite Corp	Valence Industries	Buxton Resources	Renascor Resources	Oakdale Resources
Region	Croydon	Kimberley WA	EP, South Australia	EP, South Australia	EP, South Australia	Cloncurry, Queensland	Uley South Australia		EP, South Australia	EP, South Australia
Deposit	Golden Gate	McIntosh	Waddikee/Campoona	Koppio	Kookaburra Gully	Mount Dromedary	Uley	Yalbra	Arno	Oakdale
Historical Production	Nil	Nil	Nil	Y	Nil	Nil	14,000	Nil	Nil	Nil
Off-take Agreement - Binding							Y			
Off-take Agreement - MOU				Y			Y			
Proposed Production (t/yr)			~17,500	40,000		29,000			94,500	
Resource Classification	HISTORIC	IND + INF	MEA+IND+INF	INF	IND + INF	MEA+IND+INF	MEA+IND+INF	INF	IND+INF	IND+INF
Status	Exploration	Pre-feasibility	Scoping	Resource	Scoping	Pre-feasibility	Production (C & M)	Scoping	Scoping	Scoping
Tonnes (Mt)	21,18	17.2	8.55	1.85	2.2	14.3	4.54	4.0	60.8	6.31
Grade (% TGC)	5.5	4.63	9.0	9.76	15.1	13.3	11.63	16.2	7.8	4.7
TGC lower cut-off		2.0%	2.0%	5.0%	5.0%	4.0%	3.5%	4.0%	3.0%	3.0%
Contained Graphite (tonnes)	1,164,900	797,200	770,750	180,733	331,778	1,908,000	520,000	650,000	4,700,000	297,000
Flake Size Distribution ¹ %										
>300 micron		1.6	15			18.8	33.0	6.6	80%	
>150 micron		26.7	29		2.6	23.2	38.0	22.8		
>106 micron		21.4			6.8	25.2	29.0	31.2		
>75 micron		23.0	56		10.1					
<75 micron		27.3			79.4	32.8		39.4		
Concentrate Grade (flotation)		99%	~92%		>94%	>95%	94%	91%	94-99%	>90%
Concentrate Recovery %		>86%	>94%		>94%				91%	84%

Note:

¹ After flotation beneficiation (no acid treatment).

3.5 Metallurgy

Flake size distribution and the purity of the graphite are two key metallurgical parameters that control the 'basket price' that may be anticipated from a potential product. A marketable flake concentrate product should have a minimum total graphitic carbon content (TGC) of 90%, although a range of 94% - 97% TGC is now often accepted as the norm. Larger flake size is also desirable for many downstream applications.

Detailed beneficiation samples from across the ore zone need to be properly tested as purity and flake size are heterogeneous attributes in most graphite deposits. The ultimate detailed metallurgical sampling and assessment will determine the average quality of the graphite concentrate that could be produced on a commercial scale (taking into account crushing sizes, complexity of beneficiation circuit and final concentrate grade) and would need to underpin the reasonable prospect test to satisfy Resource and eventual Reserve estimation.

There has been limited documentation on historic metallurgical or beneficiation work undertaken on the graphite mineralisation at Golden Gate, with the exception of Silva's 1989 report. This report states that the Golden Gate graphite was identified as being flake graphite, 100 μ - 20 μ in size, which would be classified as fine flake graphite (based on one 5 m composite sample from GGRC 1416).

Gold Aura Limited also submitted a number of samples from abandoned open cuts and waste dumps (associated with the 'Butterfly mine' to the south of the historical estimate) to NGS Naturgraphit GmbH for metallurgical analysis. The analysis work showed a large portion of the graphite to be amorphous.

Crater's ASX release dated 10 April 2018, presented initial petrographic testwork undertaken at Golden Gate Project on selected core samples (8 samples) from holes GGDDH 1701 and GGDDH 1702. The work identified jumbo graphite flake (0.30 to 0.50 mm), large graphite flake (0.18-0.30 mm) and fine graphite flake (<0.18 mm) with an average of around 0.25 mm (in the large graphite flake category).

Due to the small sample size, there are no estimates of flake size distribution analyses from the core and further composite sample analysis will be undertaken as part of metallurgical scoping testwork underway at the Golden Gate Project (ASX Release 20 March, 2018).

3.6 Ore Reserves

There are no historic or recent Ore Reserve estimates prepared for the Project. There is currently insufficient information on the deposit to define reasonable grounds for supporting the mining studies to define Ore Reserves.

3.7 Exploration potential

3.7.1 Graphite

In addition to the identified historical estimates at Golden Gate, which require further exploration and assessment to support these estimates, SRK considers that parts of the permit that have not been drill tested offer additional exploration potential for both graphite and gold.

SRK considers the exploration ground surrounding the established deposit to be prospective for delineating Resources of mesothermal-style graphite mineralisation. SRK anticipates, that with a suitable focus on exploration and an appropriate budget, there is a reasonable likelihood of defining additional mineralisation, some of which may be of sufficient tonnage and grade to support the delineation of a graphite Resource.

The historical estimate does not include potential graphite extensions to the north of 25700 mN or south of 23700 mN toward the graphite mineralisation occurrences in the Golden Butterfly abandoned pit, just north of Croydon, which have been quoted as an Exploration Target (potentially in the order of 30 Mt to 50 Mt) presumably of similar grade (4 to 6% Cg) graphite mineralisation. SRK has not verified this conceptual Exploration Target; however, given the state of the graphite market demand and the increase in the number of graphite projects progressing through feasibility studies globally, the tonnage is less important than the grade.

Many reported graphite Resources in Australia contain a high-grade core in a larger low-grade halo, and the low-grade halo may or may not be reported within the final Resource figure. The low-grade core is generally defined at a 2% to 3% Cg cut-off and high grade is nominally above a 5% to 9% Cg cut-off (e.g. Lincoln Minerals' Koppio and Kookaburra Gully projects, and Renascor's Siviour (Arno) project respectively).

Where scoping and feasibility study results are publicly reported, a number of projects are focused on the higher-grade cut-off. This suggests that within Crater's permits, a more appropriate conceptual Exploration Target (and therefore focus of exploration spend) may be the higher-grade zones within the currently delineated broader mineralisation halo, the latter of which defines the historical estimate.

In a rather unique geological association within the Esmeralda granite, the higher-grade graphite zones are noted as showing an association with gold mineralisation. Whilst the available drilling data to date does not show a widespread correlation, the clear association at the historic Golden Gate mine suggests that further work is required to assess the potential of a project to define a commercial operation based on both gold and graphite.

3.7.2 Gold

Despite the extensive gold exploration to date, and the discouraging exploration results of a number of areas in, and around, the Golden Gate line of lode quartz reefs, a number of small prospects (e.g. Sunny, Sunset North, Golden Bridge and Golden Gate North) remain untested. It is reasonable to anticipate that with focused exploration and an appropriate budget; small gold Resources could be established on these prospects.

4 Croydon Polymetallic Project

4.1 Introduction

Through its predecessors, Gold Anomaly Ltd and Gold Aura Ltd, Crater commenced exploration in the area in the early 2000s. The Croydon polymetallic project was designed to follow up on analysis of regional geophysical survey data collected by the Queensland Government which detected buried magnetic and gravity anomalies in Proterozoic rocks of the area. Since those original leases were granted, Crater gradually increased its land holdings in the area to 10 EPMS before slowly rationalising to the currently held position, which is largely focused on coverage of several key geophysical anomalies.

Crater's current Croydon polymetallic project comprises five detached land parcels held under two granted EPMS stretching some 35 km northeast of Croydon in northern Queensland.

These permits, EPMS 13775 and 16002, collectively cover an area of 4,480 ha within the Einasleigh and Gilbert River basins. EPM 13755 is surrounded by a recent application, EPMA 26749 which covers 11,520 ha.

4.2 Access and physiography

Access to the project permits is north of the Croydon township via the Tabletop, Wallabadah and Strathmore Stations' sealed and all-weather gravel roads and property tracks.

The Clotilda, Wallabadah and Strathmore homesteads, as well as the Oakland Park and Dingo Hut Outstations are all within relative proximity (i.e. <25 km) to the Project tenements.

The main drainages in the area all flow west–northwest to northwest into the Gulf of Carpentaria and include the Carron and Gilbert Rivers, as well as Foote, Big Seven Mile and Telephone Creeks.

4.3 Geological setting

The basement geology of the Wallabadah area, north of Croydon, is entirely buried beneath Mesozoic alluvium and other cover rocks (including Quaternary sand and alluvium, early Cretaceous sediments of the Gilbert River Formation and older Mesozoic sediments). The Cainozoic-aged Wyaaba Beds, comprising clayey quartzose sandstone, pebbly conglomerate and claystone, are recorded in the area.

Previous drilling in the Wallabadah area encountered basement rocks comprising a monotonous sequence of laminated grey to dark grey shales, hosting a 200 m wide zone of steeply dipping fracture fill veins, the orientation of which is yet to be constrained. Crater has interpreted these rocks are of Archean to Proterozoic age and potentially represent the northeastern extension to the Mount Isa Block.

Polymetallic mineralisation occurs in the Wallabadah area and is dominated by brittle fracture fill vein style massive sulphide mineralisation comprising zinc, copper, silver, lead, tin and tungsten (Anomaly A2). A variant of the polymetallic mineralisation has significant copper/ silver mineralisation, with elevated tin and tungsten content (Anomaly A1). No gold mineralisation is recognised in the Wallabadah area. No similar mineralisation is known in the immediate area, although many polymetallic sulphide deposits occur regionally.

Based on previous drilling, Crater's current geological model envisages a polymetallic sheeted vein system developed within Proterozoic host rocks, with the mineralisation derived from a granitic intrusive body at depth. Regional-scale faults are interpreted to have provided channel pathways for the hydrothermal fluids emanating from these granites.

4.4 Project history

As noted previously in this Report, the Croydon area has historically been explored for gold and tin mineralisation, with over one million ounces of gold and one million ounces of silver having been produced from the Croydon Goldfields. This gold has been won from more than 300 separate structurally controlled, small quartz reef occurrences, grouped in districts and spread over 250 km². No gold has been reported from the Wallabadah area to date.

As the Wallabadah area is entirely covered by alluvium with no outcrop, no previous exploration had been completed prior to Gold Aura's involvement from 2002 onwards. Extensive geological mapping and collection of stream sediment, soil and rock chip samples within the broader Croydon Project area was carried out in specific areas recommended by consultants, Ausmec Consultants.

Following the completion of the 2000 Geological Survey of Queensland Isa–Georgetown airborne geological survey, Gold Aura's geophysical consultant, R Deakin & Associates, completed a detailed analysis of this data and broad-spaced gravity geophysical data collected by the Commonwealth Government (11 km spaced stations), together with some later, more dense data collected by the Queensland Government on the southern margin of the relevant area. As a result, Gold Aura subsequently acquired EPM 13775 over the Wallabadah area.

There are two discrete aeromagnetic “bulls eye” highs (A1 and A2 Anomalies) within EPM 13775, which were interpreted to be associated with a series of prominent west–northwest to east–southeast and northwest–southeast trending magnetic lineaments on the eastern margin of a coincident gravity high (20 milligals). These anomalies were interpreted to present altered intrusive bodies, offering potential targets for gold and base metal mineralisation.

R Deakin & Associates undertook the ground magnetic survey and interpretation of the data and based on the results, selected a number of drill targets within EPM 13775.

Anomaly 1 was interpreted as a relatively simple, circular magnetic high associated with the northwest–southeast trending magnetic lineaments. It was modelled as a south–southwest plunging, pipelike body, with a depth to source of ~270 m and truncated at ~1,100 m depth.

Anomaly 2 was interpreted as being more complex, with a central zone of possibly two or more separate bodies located southwest of a west–northwest to east–southeast trending magnetic lineament. The anomaly was modelled as a zoned, steeply dipping intrusive complex, with a depth to source of 270 m.

A2 Anomaly

Between 2006 and 2008, nine diamond drill holes for 4,400 m of advance tested the A2 Anomaly (Figure 4-1). All holes intersected vein-style polymetallic mineralisation with similar mineral assemblages (zinc dominated with lesser lead, silver, tin and copper), indicating the size of the system to be at least 600 m wide and 1,250 m long. Seven of the nine holes intercepted fracture zones containing massive sulphide varying from 2 m to 13 m in downhole width, containing potentially economic concentrations of zinc (1.35% - 10.13%), silver (32.7 g/t - 642 g/t), tin (0.12% - 0.63%), lead (0.25% - 2.1%) and/or copper (0.13% - 0.57%).

Significant intercepts at A2 are listed in Table 4-1.

The massive sulphide filled fracture zones in drill holes at the A2 Anomaly were located within a thick sequence of banded shale-siltstone sedimentary rocks. Mineralisation commences at approximately 130 m vertical depth at an unconformity with overlying Mesozoic cover.

The more massive sulphide intercepts form linear patterns with an apparent east–west or northwest strike and apparent vertical dip, suggesting possible continuity.

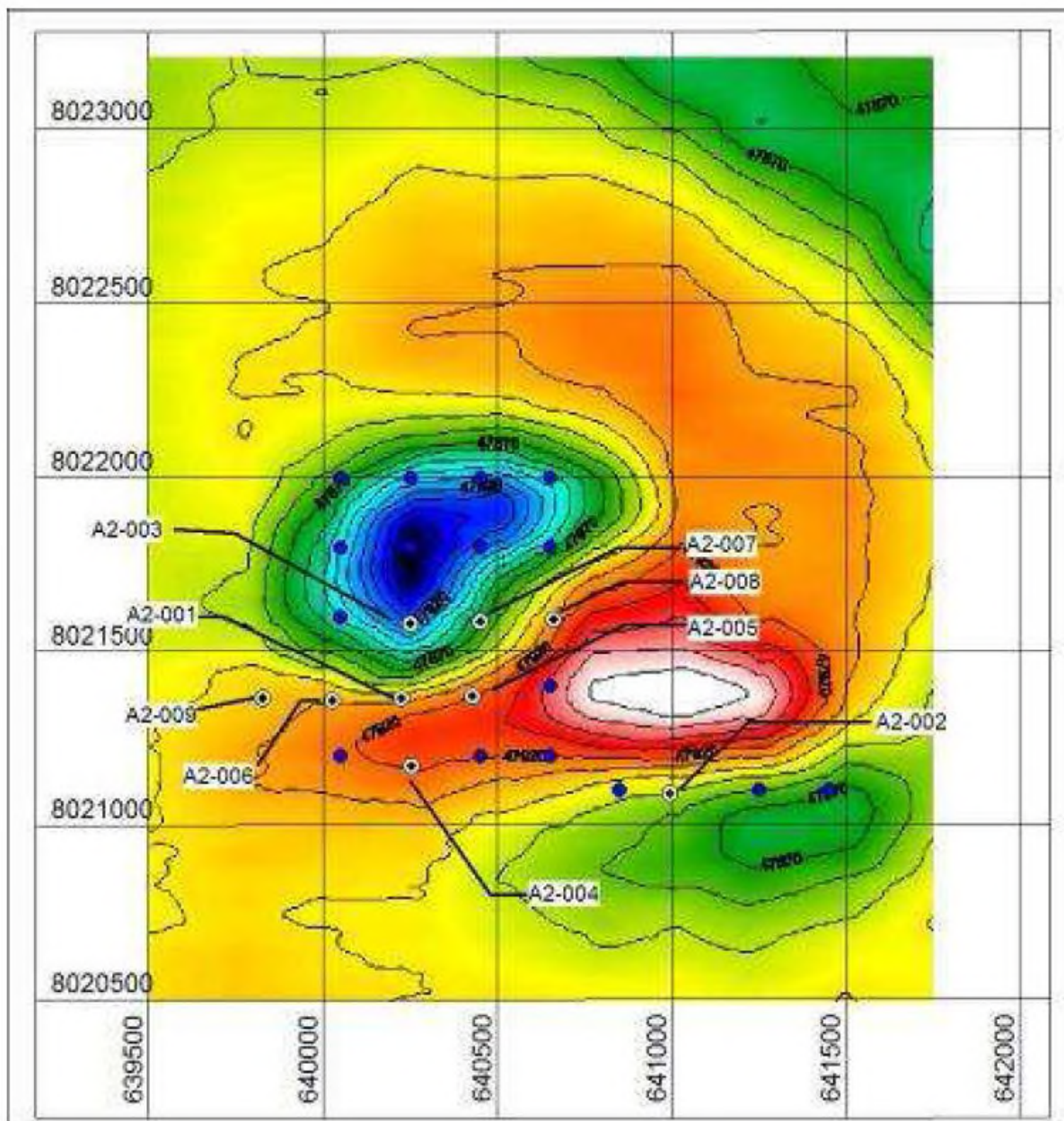


Figure 4-1: Drill hole locations over total magnetic intensity image – Anomaly A2

Following the first round of drilling, a ground induced polarisation (IP) geophysical survey was completed. This survey indicated that the main conductivity high lay further to the east (by some 600 m) and had not been drill tested.

Table 4-1: Significant intercepts from A2 Anomaly

Hole No.	Intersection	Zinc (%)	Silver (g/t)	Gold (g/t)	Lead (%)	Tin (%)	Copper (%)
A2-001	369.5 m (121.6 m to 491.1 m)	0.55	12.7		0.018	0.10	0.041
	3.5 m (129.5 m to 133.0 m)		91.8		-	0.14	0.066
	2.0 m (133.0 to 135.0 m)	0.09			0.13	0.236	
	133.0 m (134.0 m to 267.0 m)	1.11	18.4		0.041	0.153	0.035
	Including 13.2 m (142.8 m to 156.0 m)	1.60	29.3		0.021	0.227	0.041
	Including 1.0 m (160.0 m to 161.0 m)	1.19	9.1			0.222	
	Including 1.0 m (165.0 m to 166.0 m)	1.11	24.4		0.05	0.236	0.053
	Including 0.73 m (175.4 m to 176.13 m)	26.40	565.0		1.77	1.58	0.820
	Including 1.57 m (176.13 m to 177.7 m)	2.57	44.4			0.270	0.086
	Including 1.0 m (191.0 m to 192.0 m)	1.29	12.4		0.086	0.608	
	Including 1.0 m (195.0 m to 196.0 m)	1.92	25.4		0.048	0.624	0.060
	Including 0.35 m (197.25 m to 197.6 m)	17.90	325.0		0.087	1.02	0.610
	Including 1.0 m (205.0 to 206.0 m)	1.19	66.9	0.05	1.12	0.686	
	Including 11.0 m (211.0 m to 222.0 m)	6.33	67.0		0.13	0.340	0.130
Including 1.0 m (231.0 m to 232.0 m)	0.90	94.0			0.416	0.290	
A2-002	Including 1.0 m (232.0 m to 233.0 m)	0.18	8.1	0.19		0.079	
	Including 0.8 m (238.2 m to 239.0 m)	1.91	26.5		0.52	0.242	
	Including 1.0 m (255.0 m to 256.0 m)	1.43	48.3		0.24	0.166	0.09
	1.0 m (313.0 m to 314.0 m)	0.27	217.0	0.21	0.07	0.484	0.55
	5.0 m (335.0 m to 340.0 m)	0.08	23.5			0.065	0.17
	2.0 m (369.0 m to 371.0 m)	0.20	26.0			0.124	0.15
	1.0 m (384.0 m to 385.0 m)	0.10	15.9			-	0.24
	5.05 m (409.05 m to 414.10 m)	8.00	180.0	0.05		0.58	0.57
	382.0 m (120.4 m to 502.4 m)	0.038	1.5			0.018	0.032
	1.0 m (127.0 m to 128.0 m)	1.00	17.1			0.160	0.059
	0.5 m (164.5 m to 165.0 m)	9.49	14.8			0.200	0.230
	0.3 m (268.1 m to 268.4 m)		62.7			0.510	0.285

Hole No.	Intersection	Zinc (%)	Silver (g/t)	Gold (g/t)	Lead (%)	Tin (%)	Copper (%)
	1.0 m (299.0 m to 300.0 m)	0.076		3.87	0.28	0.076	
	1.9 m (332.1 m to 334.0 m)			0.09			0.115
	1.6 m (400.0 m to 401.6 m)		30.5			0.057	0.700
	1.0 m (420.0 m to 421.0 m)		13.7			0.016	0.367
	10.0 m (449.0 m to 459.0 m)	0.063	7.8				0.208
	1.0 m (452.0 m to 453.0 m)	0.092	34.8			0.030	0.088
A2-003	279.5 m	0.20	5				
	1.0 m (177.0 m to 178.0 m)	1.95	66		1.30		
	1.0 m (197.0 m to 198.0 m)	0.44	44			0.17	0.11
	1.0 m (200.0 m to 201.0 m)	1.40	18				
	1.0 m (203.0 m to 204.0 m)	1.23	20				
	1.0 m (212.0 m to 213.0 m)	1.49	18				
	1.0 m (220.0 m to 221.0 m)	0.96	24				
	1.0 m (222.0 m to 223.0 m)	2.59	39			0.17	
	1.0 m (227.0 m to 228.0 m)	1.24	16			0.10	
	1.0 m (286.0 m to 287.0 m)	1.27	25				
	1.0 m (318.0 m to 319.0 m)	1.73	18				
	1.0 m (344.0 m to 345.0 m)	2.05	26				
	1.0 m (387.0 m to 388.0 m)	0.47	37			0.25	0.17
	1.0 m (413.0 m to 414.0 m)	1.34	13				
A2-004	399.6 m	0.10	1.5				
	1.0 m (307.0 m to 308.0 m)	1.32	10				
	2.0 m (351.0 m to 353.0 m)	3.24	33			0.13	0.11
	1.0 m (383.0 m to 384.0 m)	1.73	20				0.12
	1.0 m (410.0 m to 411.0 m)	1.18	9				
A2-005	351.0 m	0.20	5.5				
	7.0 m (154.0 to 161.0 m)	1.47	88		0.45	0.19	
	1.0 m (201.0 to 202.0 m)	0.73	151		0.98		

Hole No.	Intersection	Zinc (%)	Silver (g/t)	Gold (g/t)	Lead (%)	Tin (%)	Copper (%)
	2.0 m (230.0 to 232.0 m)	9.00	109			0.39	0.29
	6.0 m (291.0 to 297.0 m)	1.84	13				
	1.0 m (381.0 to 382.0 m)	1.24	8				
	1.0 m (386.0 to 387.0 m)	1.32	32				
	1.0 m (428.0 to 429.0 m)	1.32	20				
A2-006	371.1 m	0.41	9.7		0.041	0.07	
	1.0 m (215.0 m to 216.0 m)	1.09	53		0.10	0.32	
	1.0 m (269.0 m to 270.0 m)	1.60	20			0.11	
	3.0 m (283.0 m to 286.0 m)	1.77	63		0.60	0.27	
	10.0 m (305.0 m to 315.0 m)	2.30	144		0.89	0.41	
	1.0 m (320.0 m to 321.0 m)	1.91	32			0.14	
	1.0 m (349.0 m to 350.0 m)	2.27	16			1.59	
	20.0 m (418.0 m to 438.0 m)	4.18	49			0.38	
	Including 2.0 m (419.0 m to 421.0 m)	11.77	119			0.72	
	Including 2.0 m (434.0 m to 436.0 m)	19.70	228			0.93	
A2-007	361.5 m	0.23	8.6			0.056	
	1.0 m (160.0 m to 161.0 m)	3.04	118.0			0.13	0.08
	1.0 m (174.0 m to 175.0 m)	2.11	18.3			0.04	
	1.0 m (181.0 m to 182.0 m)	3.21	33.9			0.21	
	1.0 m (192.0 m to 193.0 m)					1.00*	
	2.0 m (211.0 m to 213.0 m)	3.18	37.4			0.18	
	2.0 m (225.0 m to 227.0 m)	2.36	20.9			0.30	0.059
	1.0 m (233.0 m to 234.0 m)	2.64	25.9			0.15	0.079
	1.0 m (286.0 m to 287.0 m)	1.72	53.0		0.04	0.44	0.067
	1.0 m (288.0 m to 289.0 m)	1.72	49.4			1.00*	0.073
	1.0 m (298.0 m to 299.0 m)	1.08	7.1			0.032	
	1.0 m (338.0 m to 339.0 m)	2.01	11.4			0.188	
	3.0 m (393.0 m to 396.0 m)	5.10	513.0		0.68	0.60	1.71

Hole No.	Intersection	Zinc (%)	Silver (g/t)	Gold (g/t)	Lead (%)	Tin (%)	Copper (%)
	1.0 m (421.0 m to 422.0 m)	1.65	20.8				0.036
	1.0 m (429.0 m to 430.0 m)	1.38	8.6			0.24	0.15
	1.0 m (431.0 m to 432.0 m)	1.21	18.7			0.09	0.09
	1.0 m (438.0 m to 439.0 m)	1.81	4.4			0.12	0.09
	1.0 m (452.0 m to 453.0 m)	1.56	3.8			0.068	0.051
A2-008	330.1 m	0.12	6.8				
	1.0 m (176.0 m to 177.0 m)	0.90	12.4				
	1.0 m (198.0 m to 199.0 m)	0.81	15.3				
	4.0 m (283.0 to 287.0 m)	0.78	12.5				
	1.0 m (349.0 m to 350.0 m)	1.10	13.9				
	4.0 m (359.0 to 363.0 m)	3.09	416.6		0.63	0.63	0.42
	Including 1.0 m (362.0 m to 363.0 m)	8.18	1060		1.25	1.31	0.98
	1.0 m (453.0 m to 454.0 m)	0.33	23.2			0.15	
A2-009	292.7 m	0.245	19.4				
	3.0 m (230.0 m to 233.0 m)	1.35	120		0.65		
	1.0 m (248.0 m to 249.0 m)	2.47	572		2.90		
	2.0 m (261.0 m to 263.0 m)	1.85	672		2.10		
	2.0 m (293.0 m to 295.0 m)	2.45	109		0.09	0.30	
	13.0 m (300.0 m to 313.0 m)	1.60	95		0.25	0.048	
	1.0 m (408.0 m to 409.0 m)	1.10	21.6		0.09	0.015	
	5.7 m (418.0 m to 423.7 m)	0.49	37.5		0.27		

Notes: * In excess of 1.0% tin – actual level pending XRF assay.

NB: Where assay results are insignificant, cells have been left blank.

A1 Anomaly

Two holes for 1,058 m were drilled at the A1 Anomaly located approximately 7 km to the northeast of the A2 Anomaly. Both holes at A1 intercepted wide zones of anomalous copper-silver within wider envelopes of tungsten \pm tin mineralisation, but the depth and low grade of this mineralisation did not provide encouragement for further drilling.

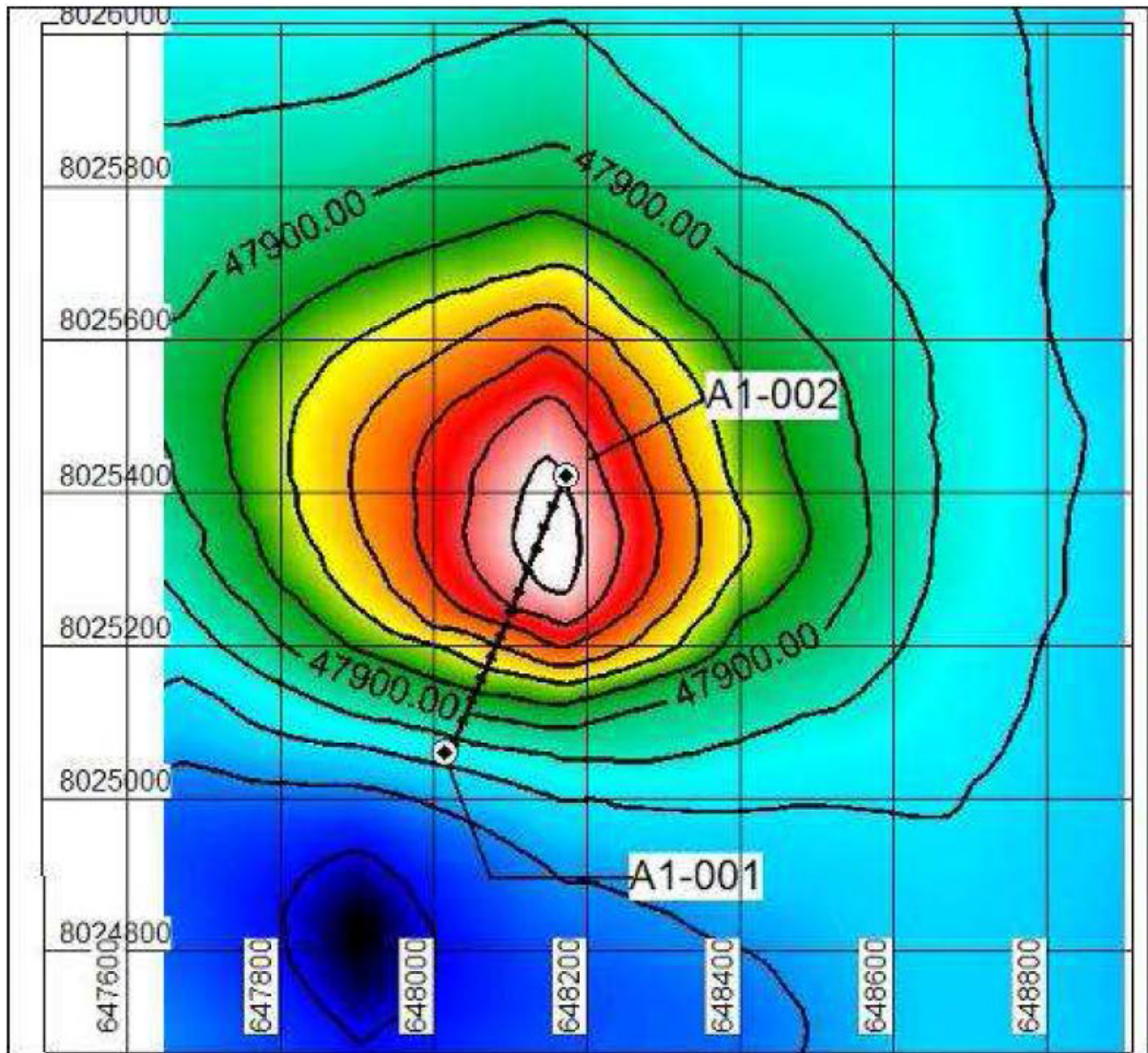


Figure 4-2: Drill hole locations over total magnetic intensity image – Anomaly A1

The first hole intersected quartz-copper-silver vein-style mineralisation and the second encountered quartz-copper-zinc-silver vein-style mineralisation. Pyrrhotite was noted in the core and interpreted to be the source of the magnetic anomalism. Significant intersections obtained from the A1 Anomaly are outlined in Table 4-2.

Table 4-2: Significant intercepts from A1 Anomaly

Hole No.	Intersection	Zinc (%)	Silver (g/t)	Gold (g/t)	Lead (%)	Tin (%)	Copper (%)
A1-001	54.8 m (483.0 m to 537.8 m)**		1.7				0.21
	<i>Including 20.8 m (517.0 m to 537.8 m)</i>		11.0				0.35
A1-002	7.0 m (220.0 m to 227.0 m)	0.54	15.0				0.15
	<i>Including 1.0 m (221.0 m to 222.0 m)</i>	2.20	76.1		0.38		0.61
	1.0 m (245.0 m to 246.0 m)	0.51	29.5		0.044		0.78
	1.0 m (260.0 m to 261.0 m)	0.48	3.0				0.06
	13.0 m (499.0 m to 512.0 m)		4.0				0.14
	<i>Including 1.0 m (510.0 m to 511.0 m)</i>		14.3				0.44

Note:

** Zone open-ended as hole terminated in mineralisation.

Following the discovery of polymetallic mineralisation at Anomaly A2, Gold Aura applied for several EPMs to secure similar geophysical targets to those identified in EPM 13775. EPM 16002 was applied for as it was considered prospective for vein-style base metal deposits with mineralisation similar to that found at Anomaly A2, in particular, the A3 and A5 anomalies.

Anomaly A5 occurs about 6 km north–northwest of Anomaly 2, on the southern periphery of a broad zone of negative magnetic anomalies of varying size and amplitude that may prove to be related to a structural or intrusive complex, with some potential for base metal concentrations. Additionally, the complex is intersected by two or more northwest–southeast trending negative magnetic linear features that similarly occur in close proximity to the A1 and A2 anomalies.

The data generated from exploration of the A1 and A2 anomalies was investigated in detail in conjunction with Codes Centre of Excellence, University of Tasmania, which established the following:

- The mineralogy is typical of that displayed in granite associated, economic tin mineralised systems.
- These systems are characterised by tin/ sulphide mineralisation developed within and immediately adjacent to the granite source and the development of separate zones of base metal (gold) mineralisation developed distal to the granite source. Vein systems distal to the granite source commonly contain magnetic pyrrhotite (as at the A1 and A2 anomalies).
- Economic tin systems of this type have been mined at the Renison tin mine in Tasmania and at several locations in Bolivia. Base metal resources (particularly zinc) in the Zeehan area of Tasmania are believed to be related to this granite mineralisation style.
- The A1 and A2 anomalies are associated with low order residual gravity anomalies which are interpreted to reflect the presence of higher density polymetallic veining.
- While previously it had been interpreted that the granite source was at depth below the deepest drill intersection, an alternative interpretation is that the granite source is located laterally to the area drilled. In particular, the high priority residual gravity anomalies (G1 and G30) that lie adjacent to the area drilled may represent high density tin/ sulphide mineralised lobes of the granite source (but not the main granitic body which would have an overall negative gravity response), and this formed the basis for an updated mineralisation model.
- Specifically, these gravity anomalies are located some 5.0 km northwest of Anomaly 2 (G1) and some 4.0 km east-southeast of Anomaly A2 (G3).
- Under either interpretation, the gravity anomalies are considered to offer the optimum targets for drill testing.

Geoscience Australia personnel inspected and sampled available Croydon drill core in September 2008, and 29 samples were collected for further investigation and submitted to CODES for thin section investigation. Two of the 29 samples (samples 2008839023 and 2008839024) were selected for age-dating via Pb-Pb Geochronology of galena, with one in duplicate. Using the CSIROAGSO North Australia model, ages of 925 and 1,022 Ma were obtained. Although, these ages are not reliable given the lack of local control, the results are less radiogenic (older) than galena from the approximately 410 Ma Charters Towers Goldfield.

As a result of this work, the area of the Croydon Polymetallic Project was rationalised in late 2008 and several aeromagnetic anomalies were relinquished as they were considered to be either too deep or of low magnitude and hence non-prospective.

In 2012, Gold Anomaly completed a ground IP geophysical survey over a number of other airborne magnetic and gravity anomalies. Results from ground surveys at the A5, G2 and G3 anomalies were not encouraging. However, both the surface gravity and IP results at the G1 anomaly confirmed the presence of a large (1,500 m by 500 m) anomaly at a depth of approximately 100 m below surface.

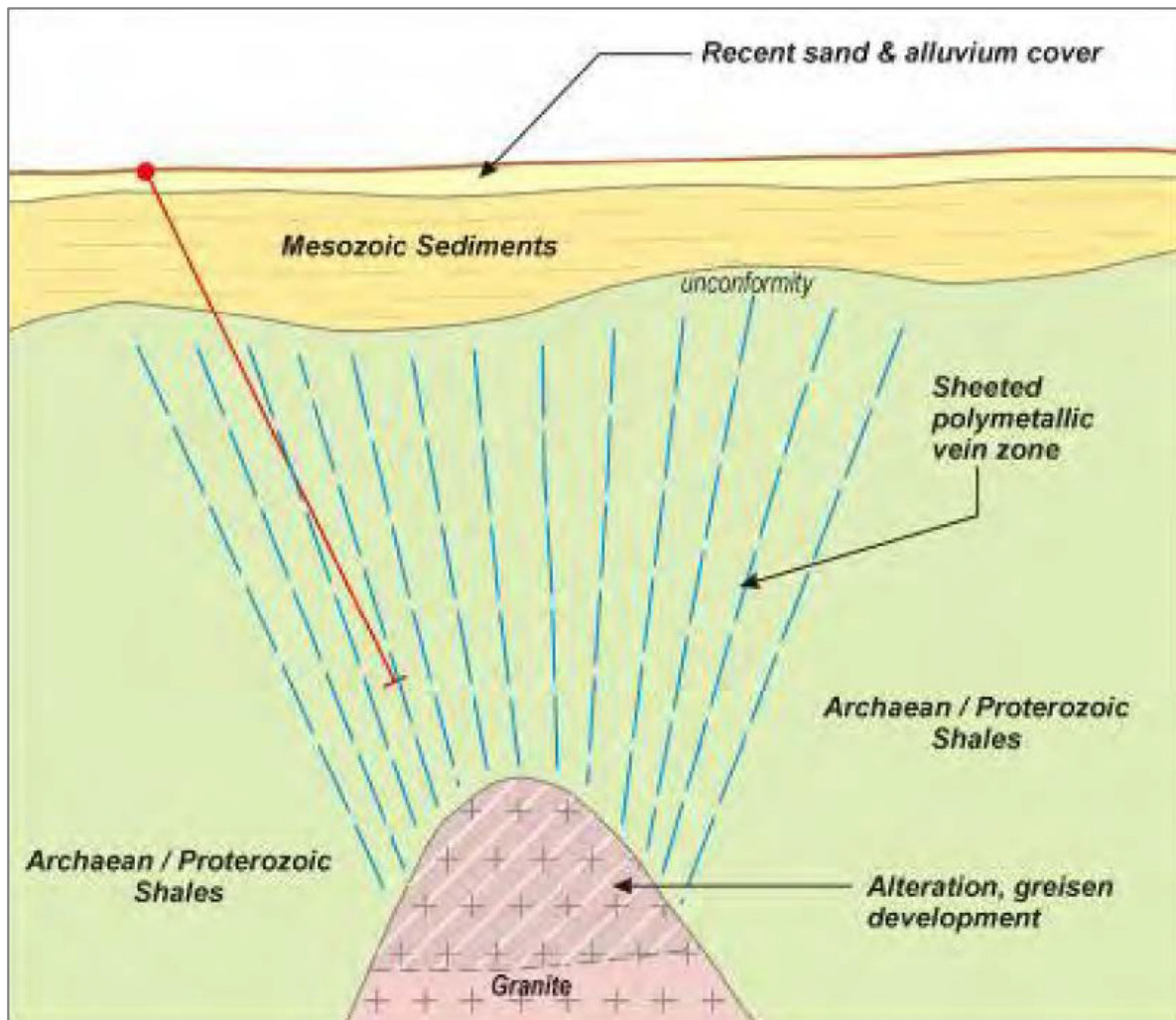


Figure 4-3: Wallabadah aeromagnetic anomaly target deposit model

Given the massive sulphides are located in narrow fractures and at depths beyond 130 m, in July 2012, the Company commissioned a conceptual analysis of possible mining and processing methods, as well as typical costs that might apply to a potential mining operation. In this concept study prepared by Gemell Mining Engineers (GME), 10 narrow, steeply-dipping, stacked polymetallic lenses were assumed, with the reported option assessing eight mineable lenses extracted through a combination of retreat up-hole benching and airleg stoping. Other key assumptions include:

- The mineralised zones are continuous and extend to at least the currently postulated limits
- The geometry and geotechnical conditions within the mineralised zone are amenable to underground selective mining techniques
- Metallurgical conditions are relatively simple, with good recovery to the various concentrate streams and sufficiently low impurities to avoid penalties
- The project economics would not be impacted either directly or indirectly by the introduction of a carbon tax.

This study indicated that the project offered commercial development potential, if the metal content, width and strike depth continuity could be proven, and that further drill assessment and metallurgical testwork was warranted.

SRK understands that no further drilling or metallurgical testwork has been completed at the A2 Anomaly since this study was completed. As such, no further information to test the validity of the assumptions used in the concept study, is available.

In 2013, the Company completed a single diamond drill hole for 452 m to determine the cause of the large coincident gravity and IP conductivity anomaly at the G1 Anomaly. The G1 Anomaly is located approximately 5 km west of the A2 Anomaly. The drill hole at G1 encountered a granitic intrusive and associated granitic dykes, with disseminated pyritic sulphides explaining the gravity anomaly and conductivity response. Analysis of 121 core samples did not produce any results of economic significance. As a result, the Company interpreted that the G1 intrusive was unlikely to have a genetic relationship to the A1 and A2 polymetallic mineralisation and that future exploration should concentrate on the A2 area.

In addition, R Deakin & Associates reviewed the data, modelling and interpretation for the A5 Anomaly in 2013.

In 2018, Crater released the results of Spatiotemporal Geochemical Hydrocarbon (SGH) soil sampling at the A2 Anomaly (ASX Release dated 26th February, 2018), which identified a number of silver, copper anomalies (P1, P2 and P3) marginal to the A2 magnetic anomaly that according to the company provide a number of additional priority drill targets.

The basis of the success of the SGH anomalies, Crater followed up this soil program with a trial SGH soil program at the A5 anomaly. The results of this work were reported in June 2018 (ASX Release dated 18th June, 2018). The program identified, co-incident gold, silver, copper and polymetallic anomalism over the A5 anomaly that is based on similar aeromagnetic characteristics to the A2 Polymetallic Project located 16 km to the southeast. On the back of these result, Crater propose to extend the soil program to define the extent of the geochemical anomalism.

In January 2018, and based on the results of the SGH program, Crater applied for EPM 26749 to secure the exploration rights to any possible extensions of mineralisation outside of EPM 13755 (ASX Release dated 26th February, 2018).

4.5 Exploration potential

Historical exploration to date has defined the potential for small to moderate tonnages of modest to high grade polymetallic mineralisation within the Project area. However, limited exploration activities have been conducted since 2013 improving the best geophysical targets and drill intercepts with additional soil geochemistry. Tenure has been expanded for future exploration activities outside of the known target areas marginal to the existing targets increasing the scope for exploration activities.

5 Other Considerations

5.1 Market conditions

SRK has carried out a limited analysis of the respective metal markets to provide an understanding of graphite, gold and zinc price trends for the consideration of the market value.

5.1.1 Graphite market

Graphite is not traded on any commodity exchange and its pricing is based on direct seller and buyer negotiations. Market volume and pricing has historically been led by steel markets, and as a consequence pricing has been determined by the rate of Chinese industrialisation. The advent of lithium ion batteries increased demand for thermal management products, particularly in electronics and expanded graphite for fire suppressant which has reshaped markets, product types and quality premiums. Price premiums are typically linked to higher specification concentrate grades and flake size.

Flake graphite prices remained relatively steady for many years until 2005, after which they climbed gradually to 2008, declined in 2009 following the global financial crisis (GFC) and then resumed an upward trend, spiking dramatically from 2011 through 2012. Prices then returned to 2008 levels by mid-2015, due to excess production versus market demand. Since then, the global graphite industry has witnessed a stable growing demand and tight supply. During the 12 months from December 2016 to December 2017, the price for all-natural graphite products gained some 25% (Figure 5-1). In 2018, graphite pricing has remained relatively steady with some modest increases (particularly for large flake high purity graphite).

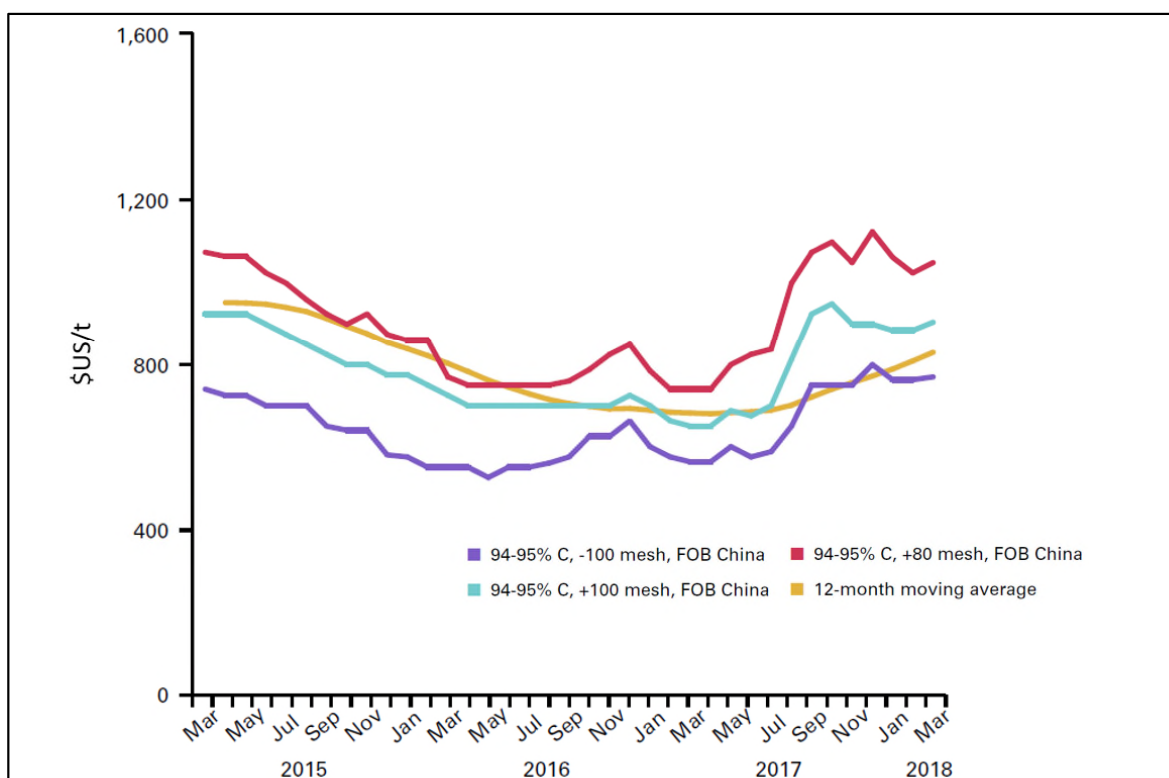


Figure 5-1: Graphite price (US\$/t) history (Bench Flake Graphite Index)

Source: www.benchmarkminerals.com (accessed March 2018)

Forecasts for the graphite market in the long term remains positive, with steady growth in the global market demand anticipated. Natural graphite demand is expected to increase to a maximum of 37% by 2020.

Pricing in the short term is contingent on the development of key industries, the establishment of global markets and the movements of the Chinese domestic market and government policy around resource protection and environmental concerns.

The graphite sector is dynamic, with numerous new deposits discovered recently and applications and product specifications continually evolving. The perceived shortfall on likely demand in the short term has driven rapid growth and development of the exploration and mining industry around graphite projects.

The market concerns extend to the likely increasing competition between flake and synthetic graphite, particularly in the battery manufacturing space, a key growth area.

5.1.2 Gold market

According to the Office of the Chief Economist at the Australian Department of Industry, Innovation and Science (OCE, 2018), overall gold prices have gradually declined since 2013, with but remained relatively steady over 2016 and 2017 averaging around US\$1,250 per ounce as higher interest rates were countered by safe haven demand (Figure 5-2). Since January 2017, the US Federal Funds Rate target range has risen steadily from 0.50 - 0.75 to 1.75 – 2.0 percent in August 2018. Weka gold demand from India has also placed downward pressure on gold prices resulting in the gold price reaching a 20-month low of US\$1,179 per ounce on 17 August 2018.

Gold prices are expected to remain under pressure for the rest of 2018 as US interest rates and the US dollar continue to rise reducing the relative attractiveness of gold. Reflecting these factors, the forecast gold price for 2018 is expected to average US\$1,304 per ounce but is likely benefit from a levelling out in the US dollar in 2019 and 2020. The gold price is forecast to increase by 1.8 and 0.4 percent in 2019 and 2020, to average US\$1,328 and US\$1,333 per ounce, respectively.

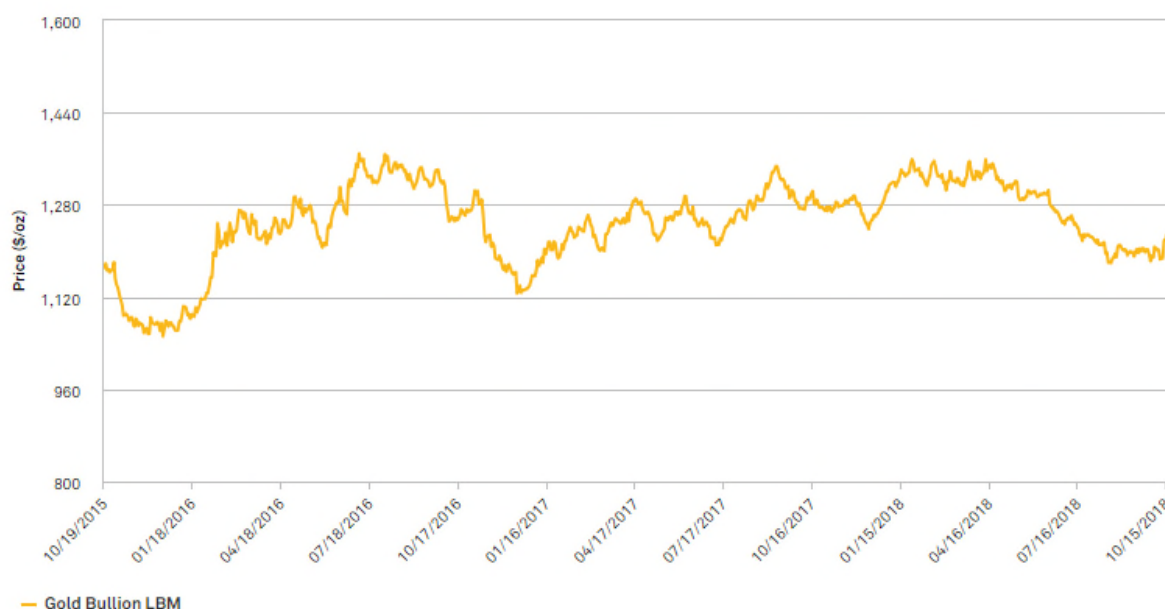


Figure 5-2: Gold price (US\$/oz)

Source: 3 Year Gold Prices – S&P Global Market Intelligence (accessed 25 October 2018)

5.1.3 Zinc market

According to the Office of the Chief Economist at the Australian Department of Industry, Innovation and Science (OCE, 2018), world refined zinc consumption is expected to lift moderately from 14.2 million tonnes in 2018 to 15.4 million tonnes by 2020. Construction is expected to account for around half of global zinc demand, with consumer products and industrial equipment accounting for the majority of the rest.

Global mined output is also expected to grow steadily as previous capital investment begins to pay off. While production has faced some disruptions in 2018, significant supply is expected in late 2018 and 2019 including, Vedanta’s Gamsberg mine and expansions / re-openings of zinc mines in Australia (i.e. Century, Dugald River).

Despite a strong start in 2018, London Metals Exchange (LME) Zinc prices have retreated recently. Monthly average prices peaked at US\$3,540 per tonne in February 2018 before easing in June and then dropping sharply to just above US\$2,500 in August 2018. Prices have since recovered slightly and stabilised but remain well down on early-2018 levels. Prices are expected to continue easing over the longer term, averaging US\$2,850 per tonne in 2019 and US\$2,625 per tonne by 2020.



Figure 5-3: Zinc price (US\$/lb)

Source: 3 Year Zinc Prices – S&P Global Market Intelligence (accessed 25 October 2018)

6 Valuation

The objective of this section is to provide a valuation of Crater's Croydon mineral assets. SRK has not valued Crater, this being the corporate entity which is the beneficial owner of the mineral assets considered in this Report.

In assessing the technical aspects relevant to this Valuation, SRK has relied on information provided by Crater, as well as information sourced from the public domain. All sources are listed in the Section 8 (References).

6.1 Valuation approaches

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the Practitioner, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted Valuation approaches:

1. Income Approach
2. Market Approach
3. Cost Approach.

The *Income Approach* is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property (VALMIN, 2015). Valuation methods that follow this approach include Discounted Cash Flow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, metal transaction ratio (MTR) and option or farm-in agreement terms analysis.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the mineral property.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the property, and hence the amount and quality of the information available on the mineral potential of the property. Table 6-1 presents the various valuation approaches for the valuation of mineral properties at the various stages of exploration and development.

Table 6-1: Suggested valuation approaches according to Development status

Valuation Approach	Exploration Projects	Pre-Development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015).

The Market approach to valuation is generally accepted as the most suitable approach for valuation of a Mineral Resource Property or a Pre-Development Project.

An income-based method, such as a DCF model is commonly adopted for assessing the Value of Tenure containing a deposit where an Ore Reserve has been produced following appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012). However, an income-based method is not considered an appropriate method for deposits that are less advanced, (i.e. where there is not a declared Ore Reserve and supporting mining and related technical studies). Income-based methods of valuation have not been considered for the Golden Gate and Croydon polymetallic projects within the context of this Valuation.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties, before Mineral Resources are reliably estimated. As currently only historical estimates of quantities and grades have been reported for the Pre-Development and Advanced Exploration projects, cost-based methods of valuation are considered less suitable than market-based methods of valuation for these properties.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market derived data.

The “**Market Value**” is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the IVSC term of the same name. This has the same meaning as Fair Value in RG111. In the 2005 edition of the VALMIN Code, this was known as Fair Market Value.

The “**Technical Value**” is defined in the VALMIN Code (2015) as an assessment of a mineral asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term Technical Value has an intended meaning that is similar to the IVSC term, Investment Value.

Valuation methods are, in general, subsets of valuation approaches and, for example, the Income Based Approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb considered suitable only to benchmark valuations completed using primary methods.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

6.2 Valuation basis

SRK has considered the development status of each of Crater’s mineral assets in order to determine the key elements to be valued (Table 6-2).

Table 6-2: Valuation basis of Crater’s assets

Mineral Asset	Tenements	Development Stage	Valuation basis
Golden Gate graphite-gold	EPM 8795 & 18616	Advanced Exploration	Declared Historical Estimates/ Exploration Potential
Croydon Polymetallic	EPM 13775 & 16002	Advanced Exploration	Exploration Potential
	EPMA 26749	Early Exploration	Exploration Potential

6.3 SRK's valuation technique

In estimating the value of Crater's assets as at the Valuation Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015).

The valuation method applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the project. In preparing its valuation of Crater's assets, SRK has considered the three main approaches (income, market and cost), as well as the available methodologies under each approach.

6.3.1 Valuation of Mineral Resources and exploration targets (graphite)

For the valuation of Crater's historic graphite resource, SRK has carried out an analysis of market transactions involving similar mineral assets in Australia.

Comparable transactions

Using SRK's internal databases and the SNL Financial (SNL) subscription database, transactions involving graphite were compiled, researched and analysed in order to assess the comparability of the mineral assets relative to the Project. The mineral assets incumbent within these transactions were assessed according to the project development categories outlined in the VALMIN Code (2015).

SRK initially identified 117 transactions, on a global basis, involving graphite assets occurring between November 2010 and October 2018. Of these transactions 48 had sufficient information with which to determine transaction multiples for graphite. Of these 48 transactions (Table 6-3), 14 were at an advanced to operational stage with declared Mineral Resources or Exploration Targets (i.e. JORC Code or similar). These transactions were considered suitable for determination of a Resource based transaction multiple. One transaction identified declared a Maiden Resource shortly after the deal was completed; therefore, it is implied that the purchaser was aware of the Resource potential. SRK considers this transaction may be considered and the historical estimate of quantities and grades used to determine a Resource multiple.

6.3.2 Valuation of exploration potential

In valuing the exploration potential associated with Crater's projects, SRK has carried out an analysis of market transactions involving similar assets in Australia, as well as a modified Kilburn valuation of the tenements.

Comparable transactions

Similar to the valuation of Exploration Potential, SRK used internal databases and S&P Market Intelligence (formerly SNL Financial) subscription database to compile transactions involving Australian gold and polymetallic projects in the early to advanced stages of exploration.

Table 6-3: Graphite transactions with Resources

Project	Country	State	Date	Vendor	Purchaser	Consideration (100% basis) (A\$ M)	Tonnage (Mft)	Total Graphite (%)	Contained Graphite (t)	Graphite (A\$/t)	Graphite Normal sec (A\$/t)
Graphmada mine	Madagascar	Toamasina	1/04/2016	StratMin Global Resources Plc	Bass Metals Ltd.	8.32	5.69	4%	234,592.80	46.37	53.00
Graphmada mine	Madagascar	Toamasina	2/09/2015	StratMin Global Resources Plc	Bass Metals Ltd.	12.25	5.69	4%	234,592.80	74.36	82.62
Lochaber graphite deposit	Canada	Quebec	22/02/2018	Great Lakes Graphite Inc.	Saint Jean Carbon Inc.	0.70	4.09	4%	164,009.00	5.47	5.47
Albany Graphite Project	Canada	Ontario	21/11/2012	Cliffs Natural Resources	Zenyatta Ventures Ltd.	3.50	45.20	3%	1,549,004.00	2.18	2.08
La Loutre & Lac des Iles	Canada	Quebec	16/05/2016	Canada Strategic Metals Inc.	Lomiko Metals Inc.	5.57	35.10	3%	1,214,460.00	6.30	7.20
Mozambique graphite projects	Mozambique	Cabo Delgado	21/02/2018	Private investor - Mr. Gregory James Sheffield	Triton Minerals Ltd.	7.50	1,609.20	11%	169,450,226.00	0.06	0.06
Santa Cruz project	Brazil	Bahia	29/06/2017	Brasil Graphite Corp.	STEM 7 Capital Inc.	4.12	18.56	3%	501,187.50	10.72	13.40
Lindi Jumbo project	Tanzania	Lindi	30/05/2018	Undisclosed seller	Walkabout Resources Ltd.	3.33	29.60	11%	3,256,000.00	1.36	1.33
South Korean assets	South Korea	Chungcheongnamdo, Gangweondo	5/12/2016	Hexagon Resources Limited	Battery Mineral Resources Ltd.	1.38	5.87	6%	344,569.00	5.37	6.32
McIntosh project	Australia	Western Australia	27/03/2018	Hexagon Resources Limited	Mineral Resources Ltd.	0.45	21.30	5%	966,807.00	0.61	0.61

Project	Country	State	Date	Vendor	Purchaser	Consideration (100% basis) (A\$ M)	Tonnage (Mft)	Total Graphite (%)	Contained Graphite (t)	Graphite (A\$/t)	Graphite Normali sed (A\$/t)
Waddikee Project	Australia	South Australia	21/05/2014	Monax Mining Limited	Archer Exploration Limited	0.23	6.38	9%	561,440.00	0.44	0.42
Eyre Peninsula Minerals Pty Ltd	Australia	Western Australia	3/12/2015	Eyre Peninsula Minerals Pty Ltd	Renascor Resources	0.40	16.80	7%	1,243,200.00	0.44	0.49
Yalbra Project	Australia	Western Australia	15/05/2012	Motezuma Mining ltd	0	0.21	10.00	9%	900,000.00	0.23	0.11
Munglinup project	Australia	Western Australia	20/11/2017	Gold Terrace Pty Ltd.	Mineral Commodities Ltd.	6.66	3.63	15%	554,625.00	15.90	15.14

Notes:

The transaction shaded orange had no Resource at the time of the transaction. The Resource was declared shortly after the transaction date.

The transaction shaded blue had no declared Resources but contained a declared Exploration Target. SRK has used the mid-point of the tonnes and grade to calculate a A\$/t multiple.

The transactions shaded pink were excluded from the statistical analysis as outliers.

SRK's analysis of the Resource based multiples is described in Table 6-4.

Table 6-4: Resource based multiple transaction analysis

Preferred comparatives	Graphite Resource Multiple (A\$/t)	Normalised Graphite Resource Multiple (A\$/t)
All Resource Transactions		
Minimum	0.06	0.06
Median	3.78	3.77
Average	12.13	13.45
Maximum	74.36	82.62
Weighted average	0.40	0.43
All Australian projects with Resource and or Exploration Targets		
Minimum	0.06	0.06
Median	1.36	1.33
Average	3.02	3.41
Maximum	10.72	13.40
Weighted average	0.19	0.21
All Australian Resource Transactions excluding outliers		
Minimum	0.23	0.11
Median	0.44	0.45
Average	0.43	0.40
Maximum	0.61	0.61
Weighted average	0.43	0.42

Graphite-gold

SRK identified 117 transactions, on a global basis and for this between November 2010 and October 2018. Of these only 37 had sufficient data to calculate valid area based transaction multiples, the majority – or 33 transactions (Table 6-5) – involved mineral assets in the early to advanced exploration stage of development, but were not sufficiently advanced to contain declared Mineral Resources or Ore Reserves prepared in accordance with an international mineral reporting code (i.e. JORC Code, SAMREC).

Table 6-5: Global graphite transactions (area based)

Project	Country(s)	State/ Province(s)	Date	Vendor	Purchaser	Consideration (100% basis) (A\$ M)	Total area (km ²)	Transaction Area multiple (\$A/km ²)	Transaction Area multiple Normalised (\$A/km ²)
Queens Graphite Mine	Sri Lanka	-	24/06/2014	RS Mines (PVT) Limited	Bora Bora Resources	22.00	1.00	23,345,361.92	22,233,678.02
Tamboli (Mekongga) Graphite Project	Indonesia	-	2/06/2014	Milestone Link Pte. Ltd	Western Mining Corporation	2.62	0.98	2,878,306.32	2,741,244.12
Sakura Graphite Mine	Sri Lanka	-	25/03/2014	Sakura Graphite (PVT) Ltd	Elcora Resources Corp	3.20	4.00	874,498.55	832,855.76
Lanka Graphite Pvt Ltd	Sri Lanka	-	20/10/2014	Euro Petroleum Ltd	Viculus Limited	10.14	242.00	47,758.01	45,483.82
Exploration Ground	Sri Lanka	-	1/12/2014	-	MRL Corporation Ltd	0.48	56.00	10,038.70	8,365.58
-	Sri Lanka	-	9/04/2013	Supreme Group	MRL Corporation Ltd	1.20	45.00	25,564.82	23,240.75
Historical Workings?	Sri Lanka	-	17/10/2013	Hal Tan Graphite	Torch River Resources Ltd	0.77	113.00	7,172.72	6,831.16
Miller East and Page Graphite Projects	Sri Lanka	-	10/12/2014	-	Saint Jean Carbon	0.13	7.96	19,820.22	16,516.85
Toamasina Saprolitic project	Madagascar	-	16/11/2016	Undisclosed seller	Cougar Metals NL	1.53	43.00	47,085.98	55,395.28
Madagascan projects	Madagascar	Toliara	21/03/2017	Capricorn Metals Ltd	BlackEarth Minerals NL	0.42	175.00	3,100.04	4,133.39
Madagascar graphite project	Madagascar	Toamasina	13/09/2017	Avana Resources Limited	Global Li-Ion Graphite Corp.	2.76	43.75	78,658.77	76,740.26
Amitsoq project	Greenland	Kommune Kujalleq	7/11/2016	Artemis Resources Limited	Alba Mineral Resources Plc	0.45	294.14	1,981.16	2,330.78

Project	Country(s)	State/ Province(s)	Date	Vendor	Purchaser	Consideration (100% basis) (\$ M)	Total area (km ²)	Transaction Area multiple (\$A/km ²)	Transaction Area multiple Normalised (\$A/km ²)
Albany Graphite Project	Canada	Ontario	2/11/2010	Cliffs Natural Resources	Zenyatta Ventures Ltd.	11.50	1,215.00	9,489.69	8,251.91
Clot Property	Canada	-	27/04/2014	Unknown vendor	Saint Jean Carbon	0.16	2.97	57,372.29	54,640.28
Laurier graphite project	Canada	Ontario	21/10/2016	Global Copper Group Inc.	Battery Mineral Resources Pty	0.02	2.14	11,471.83	13,496.27
Bell Graphite mine	Canada	Quebec	16/02/2016	Undisclosed seller	Saint Jean Carbon Inc.	0.04	7.81	7,744.17	8,604.63
Russel property	Canada	Quebec	3/05/2018	Private Investor - Mr. Afzaal Pirzada	First Energy Metals Ltd.	0.35	17.98	25,587.80	24,963.71
Additional land	Canada	Quebec	27/02/2018	1137794 B.C. Ltd.	Berkwood Resources Ltd.	0.42	251.80	2,111.89	2,111.89
Neuron project	Canada	Manitoba	30/10/2017	Callinex Mines Inc.	Global Li-Ion Graphite Corp.	1.51	199.75	9,857.98	9,170.22
Bouthillier property	Canada	Quebec	26/03/2018	Private Investor - Luc Lamarche	Graphite Energy Corp.	0.49	8.30	75,765.26	75,765.26
Lac Rainy Est Graphite project	Canada	Quebec	30/03/2017	Undisclosed seller	Metals Australia Ltd.	0.04	20.40	2,451.89	3,269.18
Mt. Cameron graphite deposit	Canada	Nova Scotia	17/10/2016	Mt. Cameron Minerals Inc.	Genius Properties Ltd.	2.23	13.20	221,819.46	260,964.07
Buckingham project	Canada	Quebec	15/10/2015	Cavan Ventures Inc.	Ashburton Ventures Inc.	0.44	16.83	36,077.13	40,085.70
Buckingham project	Canada	Quebec	15/10/2015	Cavan Ventures Inc.	Ashburton Ventures Inc.	2.10	16.83	170,417.59	189,352.87
La Loutre & Lac des Iles	Canada	Quebec	23/09/2014	Canada Strategic Metals Inc.	Lomiko Metals Inc.	1.44	25.09	64,533.18	61,460.17
La Loutre & Lac des Iles	Canada	Quebec	9/02/2015	Canada Strategic Metals Inc.	Lomiko Metals Inc.	5.93	81.10	94,264.94	78,554.12

Project	Country(s)	State/ Province(s)	Date	Vendor	Purchaser	Consideration (100% basis) (A\$ M)	Total area (km ²)	Transaction Area multiple (\$A/km ²)	Transaction Area multiple Normalised (\$A/km ²)
Feagan lake project	Canada	Ontario	22/05/2014	Metals Creek Resources Corporation	Xmet Inc.	2.10	61.24	37,035.87	35,272.25
Deep Bay East and Simon Lake Projects	Canada	Saskatchewan	1/09/2011	Zimtu Capital Corporation	Strike Resources	0.90	89.72	9,372.33	4,260.15
34 claims	Canada	Quebec	6/07/2016	Undisclosed sellers	Saint Jean Carbon Inc.	0.11	18.61	8,264.61	9,723.07
Burke & Corella projects	Australia	Queensland	9/11/2016	Burke Minerals Pty Ltd.	Strike Resources Ltd.	0.36	52.00	9,131.23	10,742.62
Munglinup Project	Australia	Western Australia	10/09/2015	-	Renascor Resources	0.13	579.00	314.08	348.97
E74/565	Australia	Western Australia	8/06/2018	Private investor - Mr. Luke Alexander Forti	Mineral Commodities Ltd.	0.15	134.29	1,489.36	1,489.36
La Loutre & Lac des Iles	Canada	Quebec	16/05/2016	Canada Strategic Metals Inc.	Lomiko Metals Inc.	5.57	81.10	94,293.05	107,763.48
Albany Graphite Project	Canada	Ontario	21/11/2012	Cliffs Natural Resources	Zenyatta Ventures Ltd.	3.50	1,215.00	2,782.71	2,650.20
Queens Graphite Mine	Sri Lanka	-	24/06/2014	RS Mines (PVT) Limited	Bora Bora Resources	22.00	1.00	23,345,361.92	22,233,678.02
Tamboli (Mekongga) Graphite Project	Indonesia	-	2/06/2014	Milestone Link Pte. Ltd	Western Mining Corporation	2.62	0.98	2,878,306.32	2,741,244.12

Notes:

The Queens Mine transaction was excluded as an outlier as its area was for a Mining Licence and not an Exploration Licence. Transactions shaded in blue were excluded from the final analysis as they contained Declared Resources or Exploration Targets.

Table 6-6: Area based multiple transaction analysis

Preferred comparatives	Transaction multiple (A\$/km ²)	Transaction Area multiple Normalised (A\$/km ²)
All comparatives (includes outliers & projects with Resources)		
Minimum	314.08	348.97
Median	15,646.03	16,516.85
Average	140,192.61	42,094.20
Maximum	2,878,306.32	260,964.07
Weighted average	11,426.79	14,496.28
Global Comparatives (excluding Resources and outliers)		
Minimum	1,981.16	2,111.89
Median	25,564.82	23,240.75
Average	43,703.99	44,801.49
Maximum	221,819.46	260,964.07
Weighted average	18,168.99	17,222.70
Australian comparatives (excludes projects with Resources)		
Minimum	314.08	348.97
Median	1,489.36	1,489.36
Average	3,644.89	4,193.65
Maximum	9,131.23	10,742.62
Weighted average	1,119.42	1,255.31

Polymetallic

Using SRK's internal databases and the S&P Market Intelligence (formerly SNL Financial) subscription database, transactions involving base metal mineralisation were compiled, researched and analysed in order to assess the comparability of the mineral assets relative to the Project. The mineral assets incumbent within these transactions were assessed according to the project development categories outlined in the VALMIN Code (2015).

SRK initially identified 96 transactions involving polymetallic mineral assets occurring between January 2010 and October 2018. SRK was able to determine sufficient deal information for 45 valid transactions (Table 6-7) for determination of transaction multiples. Of those, 26 transactions in the early to advanced exploration stage of development were identified. None of these projects was sufficiently advanced to contain declared Mineral Resources or Ore Reserves. These transactions were considered suitable for determination of an area-based transaction multiple.

Of the remaining transactions, 19 transactions were at the Advanced Exploration to Operational stage and had declared Resources or Reserves prepared in accordance with an international mineral reporting code (i.e. JORC Code, SAMREC). These transactions were not considered for the purposes of this valuation as Mineral Resources remain to be defined within Crater's polymetallic project.

Table 6-7: Polymetallic transactions (area based)

Project	Country(s)	State/ Province(s)	Date	Vendor	Purchaser	Consideration (100% basis) (A\$ M)	Total area (km ²)	Transaction multiple (\$A/km ²)	Transaction multiple (normalised A\$/km ²)
Elsienora	Australia	New South Wales	3/09/2013	Balamara Resources Ltd	Alkane Resources Ltd	0.63	36.92	16,928.49	28,695.78
Walker Gossan Project	Australia	Northern Territory	27/01/2014	Rio Tinto plc	GPM Metals Inc	5.88	1,660.00	3,543.59	5,211.49
havilah Project	Australia	New South Wales	8/12/2015	Thompson Resources	Silver Mines Limited	0.38	48.56	7,722.41	12,384.81
McArthur River tenements	Australia	Northern Territory	5/05/2014	Brumby Resources Ltd.	Teck Australia Pty. Ltd.	5.71	480.62	11,889.38	18,257.25
Havilah project	0	New South Wales	4/04/2014	Newmont Mining Corporation	Thomson Resources Ltd.	0.03	105.00	285.71	443.90
JV on EL7746&7931	Australia	New South Wales	18/03/2014	Thomson Resources Ltd.	Kidman Resources	0.14	192.53	712.92	1,089.11
JV on EL 7891	Australia	New South Wales	18/03/2014	Lassiter	Kidman Resources	0.06	48.72	1,207.33	1,844.41
Tenements interests	Australia	New South Wales	18/03/2014	Thomson Resources Ltd.	Kidman Resources Limited	0.38	56.95	6,590.71	10,068.48
Thurga tenement	Australia	South Australia	18/08/2014	Adelaide Resources Limited	Gawler Resources Pty Ltd	1.00	333.00	3,003.85	4,063.34
NT Zinc project	0	0	30/06/2016	Imperial Granite & Minerals Pty. Ltd.	TNG Limited	0.02	50.45	396.43	489.07
Mendooran project	Australia	New South Wales	8/03/2017	Alice Queen Limited	Newcrest Operations Ltd.	9.80	468.00	20,948.55	19,439.10
EL5497	Australia	South Australia	15/12/2017	Musgrave Minerals Limited	Petratherm Limited	0.98	260.00	3,770.74	3,055.01
EL5306 & 5717 (Walparuta Project)	Australia	South Australia	15/12/2017	SAEX Pty Ltd	Petratherm Limited	0.05	78.00	641.03	519.35
Crowl Creek project	Australia	New South Wales	9/01/2018	Kidman Resources Limited	Talisman Mining Limited	0.25	278.00	899.28	702.77
Six exploration licences	Australia	New South Wales	9/01/2018	Bacchus Resources Pty Ltd.	Talisman Mining Limited	2.55	1,067.00	2,388.96	1,866.92
Quartz Bore project	Australia	Western Australia	21/08/2017	VMS Resources Proprietary Limited	Tando Resources Ltd.	0.30	15.00	20,000.00	17,958.68
Northampton project	Australia	Western Australia	20/08/2018	Red Field Pty Ltd.	Caprice Resources Limited	0.18	130.00	1,346.15	1,327.81
Yamarna project	Australia	Western Australia	4/10/2018	Ausgold Limited	Great Boulder Resources Limited	1.11	300.00	3,688.89	3,688.89

Project	Country(s)	State/ Province(s)	Date	Vendor	Purchaser	Consideration (100% basis) (A\$ M)	Total area (km ²)	Transaction multiple (\$A/km ²)	Transaction multiple (normalised A\$/km ²)
Mt. Elephant project	Australia	Western Australia	25/07/2018	Korab Resources Limited	Great Fingall Mining Company N.L.	0.55	402.00	1,368.16	1,289.68
Doolgunna Station project	Australia	Western Australia	4/06/2018	Ausgold Limited	Intrepid Mines Limited	2.69	176.00	15,269.89	12,531.65
Windsor joint venture	Australia	Queensland	15/10/2018	Undisclosed seller	Minotaur Exploration Limited	3.92	629.00	6,234.61	6,234.61
Montejimi & Claypan Dam	Australia	Northern Territory / South Australia	12/06/2018	Aurum Fabri Pty Limited	Tempus Resources Limited	0.14	890.00	156.05	128.07
Bonaventura zinc project & Arden Project	Australia	South Australia	6/03/2018	Zinc Mining Pty Ltd.	Auroch Minerals Limited	1.23	873.00	1,406.64	1,128.71
Unca Creek project	Australia	Northern Territory	27/03/2017	Natural Resources Exploration Pty Ltd	KGL Resources Limited	0.50	72.90	6,858.71	6,364.51
Stonehenge	Australia	Tasmania	13/12/2011	Stonehenge Metals Ltd	RMG Ltd	0.27	7.00	38,571.43	69,433.19
Pulchera Project	Australia	Queensland	26/07/2018	MRG Metals Limited	Magnaver Group	3.20	78.37	40,830.39	38,488.34
Chunderloo mining tenements	Australia	Western Australia	5/04/2017	Westgold Resources Limited	Auris Exploration Pty Ltd	0.33	14.05	23,131.67	22,535.57
Lady Loretta	Australia	Queensland	4/02/2011	Cape Lambert Resources Ltd.	Noranda Pacific Proprietary Limited	120.00	220.00	545,454.55	754,582.46
Tally Ho	Australia	Queensland	18/07/2011	Alcyone Resources Ltd	Cove Resources Ltd	0.28	265.06	1,048.82	1,594.36
Meninnie Dam	Australia	South Australia	2/10/2012	Terramin Australia Ltd	Musgrave Minerals Ltd	11.76	2,471.00	4,761.11	8,701.37
Wagga Tank project	Australia	New South Wales	22/02/2016	Golden Cross Resources Ltd	Peel Mining Limited	0.20	54.00	3,703.70	5,218.86
Iron Blow and Mount Bonnie deposits	Australia	Northern Territory	18/08/2014	Crocodile Gold Corp.	Phoenix Copper Ltd.	0.87	1,700.00	511.76	692.27
Manbarrum	Australia	Northern Territory	26/08/2013	TNG Ltd	Legacy Iron Ore Ltd	5.00	407.00	12,285.01	19,787.94
Belara	Australia	New South Wales	27/06/2011	Ironbark Zinc Ltd	Global Mineral Resources Ltd	1.41	140.40	10,066.48	16,154.54
Bowdens project	Australia	New South Wales	30/06/2016	Kingsgate Consolidated Limited	Silver Mines Limited	33.33	1,654.00	20,153.16	24,862.74
Three base metals projects	Australia	Queensland, South Australia	24/04/2017	Teck Resources Limited	NorthernX Pty Limited	17.70	748.00	23,668.45	23,058.51
Bowdens project	Australia	New South Wales	25/02/2016	Kingsgate Consolidated Limited	Silver Investment Holdings Australia Limited	28.24	-	-	-

Project	Country(s)	State/ Province(s)	Date	Vendor	Purchaser	Consideration (100% basis) (A\$ M)	Total area (km ²)	Transaction multiple (\$A/km ²)	Transaction multiple (normalised A\$/km ²)
Peterlumbo JV	Australia	South Australia	8/07/2014	Mega Uranium Limited	Investigator Resources Limited	1.83	-		
Mallapunyah project	Australia	Northern Territory	4/12/2017	Red Metal Limited	MMG Exploration Pty Ltd.	6.67	-		
Napier Range and Emanuel Range	Australia	Western Australia	12/10/2017	Ridgecapes Holdings Pty Ltd	Metalicity Limited	3.10	-		
Reward project	Australia	Northern Territory	24/01/2017	Rox Resources Limited	Teck Australia Pty Ltd.	42.04	-		
Red Bore project	Australia	Western Australia	19/07/2017	Thundelarra Limited	Private investor - Mr. W Richmond	2.00	-		
Stockman project	Australia	Victoria	14/06/2017	Independence Group NL	CopperChem Limited	32.20	-		
PeelWood Project	Australia	New South Wales	18/12/2013	Balamara Resources Ltd	CEB Resources	2.00	-		
Conrad silver project	Australia	New South Wales	17/06/2015	Malachite Resources Limited	Silver Mines Limited	0.53	-		
Walford Creek	Australia	Queensland	27/01/2010	Copper Strike Ltd	MM Mining	5.71	-		

Notes:

The Elisenora transaction shaded in yellow was excluded from the final comparatives as the area determined is potentially erroneous.

Transactions shaded in blue included Projects with declared Resources and/or Reserves, or Historic Resources.

The transaction shaded in light blue (Tally Ho Project) contained a Historic Resource.

The implied multiples from SRK's analysis are presented in Table 6-8.

Table 6-8: Transaction statistics

Preferred comparatives	Transaction multiple (A\$/km ²)	Normalised (A\$/km ²)
All comparatives (includes projects with Resources)		
Minimum	156.05	128.07
Median	4,265.93	5,726.74
Average	23,929.03	31,774.82
Maximum	545,454.55	754,582.46
Weighted average	14,187.09	18,595.58
All Early to Advanced (Excluding transactions with Resources or Historical Resources)		
Minimum	156.05	128.07
Median	3,688.89	4,063.34
Average	8,881.18	10,712.61
Maximum	40,830.39	69,433.19
Weighted average	4,828.47	5,379.96
Early to Advanced - Excluding outlier and Elsienera (preferred)		
Minimum	156.05	128.07
Median	3,003.85	3,055.01
Average	5,231.74	5,655.98
Maximum	20,948.55	19,439.10
Weighted average	4,391.82	4,898.80
All - Advanced to Development		
Minimum	511.76	692.27
Median	11,175.74	17,971.24
Average	64,478.47	87,718.86
Maximum	545,454.55	754,582.46
Weighted average	24,876.28	33,674.24

SRK has calculated the implied value of the exploration potential for the Croydon polymetallic project using the preferred area multiples and total project area as reported by Crater of 44.8 km²; the resultant values are presented in (Table 6-12).

Geoscientific Rating (or modified Kilburn approach)

The Geoscientific Rating method attempts to assess the relevant technical aspects of a property through the use and ranking of appropriate factors applied to a Base Acquisition Cost (BAC). The BAC represents the average cost incurred by a Tenement Holder or Explorer to identify, apply for and then retain a unit area of the exploration licence of title (Goulevitch and Eupene, 1994), including statutory expenditure costs. The BAC forms the starting value from which a technical valuation range is then estimated.

The factors used for the technical rating include Off-property, On-property, Geology and Anomaly aspects. The ranking of these key factors will either enhance or reduce the intrinsic value of a property. A further factor, the Market factor, may then be considered in order to derive a Fair Market Value. Table 6-9 summarises the modified property rating criteria.

Having reviewed the technical aspects of the mineral assets in relation to the Golden Gate and Croydon polymetallic projects, SRK considers the Geoscientific Rating approach appropriate for valuation of the Exploration Potential.

The Geoscientific Rating approach requires the Practitioner to assess and grade the relevant factors. The BAC is then sequentially multiplied by these factors to produce a Technical Value range. A Market factor is then applied to arrive at a Market Value range.

Limits of the method

The Geoscientific Rating method has some limitations, such as the Technical Valuation may not include all relevant factors such as the accuracy of the BAC, the size of the property (small areas may be undervalued), other geological factors (depth of target mineralisation) or other non-geological technical factors such as environmental and cultural heritage considerations.

For the purpose of this valuation, SRK has not undertaken an assessment of factors such as environmental, cultural heritage and also does not review sovereign risk liabilities in the Geoscientific Rating method.

Base Acquisition Cost (BAC) estimate adopted for this Valuation

A BAC of A\$500/km² has been estimated for an average Queensland EPM. The rating criteria used for assessing the modifying factors are provided in Table 6-9. These rating criteria have been modified by SRK.

Table 6-9: Geoscientific ratings table (after Xstract, 2010)

Rating	Off-Property Factor	On-Property Factor	Anomaly Factor	Geological Factor
0.1				Unfavourable geological setting
0.5			Extensive previous exploration gave poor results	Poor geological setting
0.9			Poor results to date	Generally favourable geological setting, undercover
1	No known mineralisation in district	No known mineralisation on lease	No targets outlined	Generally favourable geological setting
1.5	Minor workings	Minor working or mineralised zones exposed	Target identified, initial indications positive	
2	Several old workings in district	Several old workings or exploration targets identified	Significant grade intercepts evident, but not linked on cross or long sections	Favourable geological setting, with structures or mineralised zones
2.5				Significant mineralised zones exposed in prospective host rock
3	Mine or abundant workings with significant previous production	Mine or abundant workings with significant previous production	Several economic grade intercepts on adjacent sections	
3.5				
4	Along strike from a major deposit(s)	Major mine with significant historical production		
5	Along strike from a world class deposit			
10		World class mine		

6.4 Previous valuations and transactions

The VALMIN Code (2015) requires that an Independent Valuation report should refer to other recent Valuations or Expert's Reports undertaken on the mineral properties being assessed.

6.4.1 Previous transaction related to the asset

Gold Anomaly Limited (GOA) announced 12 July 2012 that it had entered into an agreement with Global Resources Corporation Limited (Global) to acquire EPM 18616, then under application. The transaction involved, upon grant of the tenure to Global, the transfer of a 94% equity stake to GOA, less a 6% interest to be reserved to Global. In consideration of the transfer, GOA issue to Global, A\$200,000 in GOA shares, plus reimbursement for the application costs and the transfer of the permit rights. GOA was to free carry Global through to completion of a bankable feasibility study (BFS). Global also retained a 1% net smelter royalty on all minerals produced from the area covered by EPM 18616.

At the time of the transaction, EPM 18616 covered an area of 97.2 km² and was contiguous to land covered by GOA's EPMs 8795 and 9438. The permit acquisition secured the extent of the historical estimates by Barrack in 1990, which was documented in an ASX release on 24 July 2012. Approximately two-thirds of an estimated historical graphite estimate of 20 Mt at an average grade of 5.5% graphite (for 1.1 Mt of contained graphite) sits within EPM 18616 (Crater, 2014 Annual Report).

The transaction implies a maximum of A\$0.29 per historical estimated tonne of contained graphite (excluding value associated in the royalty component and free carry to BFS stage, or any value in gold exploration potential).

The transaction implies a maximum of A\$3,472/km² on an area base (excluding value associated in the royalty component and free carry to BFS stage, or any value in gold exploration potential).

Crater announced to the market in July 2017 (ASX Release dated 24 July, 2017) that proposed conditional sale of 100% of the Croydon Project to Freefire for \$1.2M in cash. The proposed sale of the asset deemed at the time as non-core was to enable Crater to focus funds on its flagship Crater Mountain Project in PNG. Under the sale agreement, the cash payment was to be received in four equal instalments over a period of 12 months.

In August 2017 (ASX Release dated 2 August, 2017) Crater announced the first proceeds had been received, that being \$300,000 from the sale of the Croydon project. Crater subsequently announced in its September Quarterly (ASX Release 30 September 2017) that the Company and Freefire had agreed to abandon the sale of the Croydon Projects to Freefire.

6.4.2 Previous Valuation related to the asset

The Company's Croydon project was independently valued by SRK in March 2007. The conclusion of this valuation was reported in the September Annual Report, 2017 as \$1,075,000. SRK notes that the methodology adopted for that valuation is similar to the methodology adopted for the current valuation, with the value range and preferred value being broadly comparable to those outlined in this valuation. Furthermore, SRK notes that the application for EPMA 26749 was not considered in this previous valuation.

6.5 Valuation of the Golden Gate graphite-gold project

6.5.1 Historic estimates

The historical estimates of quantity and grade of mineralisation for the Project were reported by Barrack Mines Ltd in February 1990. Barrack's "preliminary estimate" was 21,180,000 t at 5.5% Cg, for 1,165,000 contained tonnes of graphite.

Comparable transactions

For the purposes of this valuation, SRK has derived an implied multiple (A\$/t of contained graphite). The implied multiple is calculated by determining the transaction value (on a 100% equity basis) divided by the total contained graphite reported within the permit which is the subject of the transaction. The derived multiple is then normalised, based on the relativities between the graphite price at the time of the transaction and the valuation date to determine the final implied multiple.

Table 6-10 summarises the comparative transaction valuation of the Golden Gate graphite-gold Project.

Table 6-10: Implied value of the Golden Gate Project using Comparative Transactions

Preferred comparatives	A\$/t Graphite	A\$/t Graphite Normalised	Implied Value (A\$ M)	Implied Normalised Value (A\$ M)
Minimum	0.23	0.11	0.27	0.12
Median	0.44	0.45	0.51	0.53
Average	0.43	0.40	0.50	0.47
Maximum	0.61	0.61	0.71	0.71
Weighted average	0.43	0.42	0.50	0.48

Using a Comparative Transaction Resource multiple approach only, the multiples adopted imply a 100% interest in the historical estimate of quantity and grade of the Golden Gate Graphite Project resides within a valuation range of A\$120,000 to A\$710,000.

SRK has then applied a 25% discount to the implied value range to account for the status of the deposit as an historical estimate that requires substantial exploration work in order to test the potential of the deposit for conversion to a Resource that can be appropriately reported in accordance with the JORC Code (2012).

SRK considers the value of a 100% interest in the historical estimate of quantity and grade of the Golden Gate Graphite Project resides within a valuation range of A\$90,000 to A\$532,000.

6.5.2 Exploration potential (area-based alternative)

In considering the value of the Exploration Potential at Golden Gate Project, SRK notes the following:

- The valuation methodologies adopted here are applied to the graphite potential as the primary driver of value within the Golden Gate tenements. The gold potential is deemed as a higher risk potential upside which has been considered when applying a preferred valuation range to the asset.
- The previous transaction related to EPM 18616, and the implied resource and area-based multiples derived from that transaction values the gold and graphite potential of the asset within those metrics.

- A number of the preferred comparable transactions report material upside to estimated tonnages on which the reported multiples are derived. (e.g. additional Exploration Targets at the Eyre Peninsula and Waddikee projects), as well as other mineralisation styles (e.g. iron and manganese targets at Waddikee).
- The Yalbra Project had little exploration upside beyond the reported Exploration Target.

After considering a number of key transactions, SRK is satisfied that the value of Exploration Potential of the Golden Gate graphite project, including the potential gold upside, is appropriately considered in the resource multiple range applied to the historic estimate to value the entire asset.

Comparable transactions

As an alternative to valuing the asset on historic estimates, SRK has also considered an area-based transaction approach as a cross-check. For the purposes of this valuation, SRK has derived an implied A\$/km² (area based) comparative transaction multiple. The transaction multiple is calculated by determining the transaction value (on a 100% equity basis) divided by the total exploration area of the Exploration Licences being the subject of the transaction. The transaction multiple is then normalised, based on the graphite price at the time of the transaction.

SRK has calculated the implied value of Golden Gate's Exploration Potential using the combined permit area of 67.2 km²; the resultant values are presented in (Table 6-11).

Table 6-11: Implied Value of Golden Gate's exploration potential using Australian comparative transactions

Preferred comparatives	Implied Value (A\$/km ²)	Implied Normalised Value (A\$/km ²)	Implied Value (A\$)	Implied Normalised Value (A\$)
Minimum	314.08	348.97	21,106	23,451
Median	1,489.36	1,489.36	100,085	100,085
Average	3,644.89	4,193.65	244,936	281,813
Maximum	9,131.23	10,742.62	613,618	721,904
Weighted average	1,119.42	1,255.31	75,225	84,357

Using a Comparative Transaction area-based approach only, SRK considers the value of a 100% interest in the historical estimate of quantity and grade of the Golden Gate Graphite Project resides within a valuation range of A\$100,000 to A\$720,000.

Geoscientific rating

Based on its analysis using the Geoscientific Rating method (Table 6-13), SRK has estimated the current market value of Crater's 100% interest in the Exploration Potential associated with the Croydon Graphite-Gold Project tenements.

Using a Geoscientific rating approach only, SRK's Preferred Value range for a 100% interest in Crater's Croydon Graphite-Gold Project is between A\$0.34M and A\$1.15M.

6.6 Valuation of the Croydon Polymetallic Project

6.6.1 Exploration potential

Comparable transactions

For the purposes of this valuation, SRK has derived an implied A\$/km² (area based) comparative transaction multiple. The transaction multiple is calculated by determining the transaction value (on a 100% equity basis) divided by the total exploration area of the Exploration Licences being the subject of the transaction. The transaction multiple is then normalised, based on the zinc price at the time of the transaction.

Comparable transactions

Table 6-12 summarises the comparative transaction valuation of the Croydon polymetallic project (combined area of the EPMs and EPMA is 162.91 km²).

Table 6-12: Implied Value of Croydon's polymetallic exploration potential using Australian comparative transactions

Preferred comparatives	Implied Value (A\$/km ²)	Implied Normalised Value (A\$/km ²)	Implied Value (A\$ M)	Implied Normalised Value (A\$ M)
Minimum	156.05	128.07	0.03	0.02
Median	3,003.85	3,055.01	0.49	0.50
Average	5,231.74	5,655.98	0.85	0.92
Maximum	20,948.55	19,439.10	3.41	3.17
Weighted average	4,391.82	4,898.80	0.72	0.80

Using a Comparative Transaction area multiple approach only, the multiples adopted imply a 100% interest in the exploration potential of the Croydon Polymetallic Project resides within a valuation range of A\$500,000 to A\$920,000 (based on both the implied median and average values).

In determining the final valuation, SRK has applied a further 25% discount to the valuation range of EPMA 26749 to account for the additional uncertainty (both in timing of eventual grant and conditions imposed) associated with a Permit under Application.

Using a Comparative Transaction approach to value the area held under tenure, SRK considers the value of a 100% interest in the Exploration Potential of the Croydon Polymetallic Project resides within a valuation range of A\$410,000 to A\$760,000 based on both the implied Median and Average values.

Geoscientific rating

In considering the value of the Croydon Polymetallic Project, SRK notes the following:

- The project is relatively remotely located.
- Exploration activities since 2013 are limited to soil geochemical surveys on a number of prospects.
- Previous exploration has encountered broad zones of high-grade zinc-lead-tin-copper-silver mineralisation at potentially economic depths, albeit that subsequent exploration has not advanced the Project to the declaration of a JORC Code compliant Mineral Resource.
- No advanced techno-economic studies have been completed to date, with only a conceptual study completed in 2012, which recommended additional drilling and investigation be carried out.

Based on its analysis using the Geoscientific Rating method, SRK's estimate of the current market value of Crater's 100% interest in the Exploration Potential associated with the Croydon Polymetallic Project tenements lies in the range A\$520,000 to A\$990,000 as outlined in Table 6-13. In selecting its preferred value, SRK has adopted the mid-point of the range.

Using a Geoscientific rating approach only, SRK's Preferred Value for a 100% interest in Crater's Croydon Polymetallic Project lies within a **valuation range of A\$520,000 to A\$990,000**.

Table 6-13: Modified Kilburn Valuation of Crater's exploration assets

Tenement	Name	Area (km ²)	BAC (A\$/km ²)	Equity (%)	Off-Property		On-Property		Anomaly		Geology		Technical Value (A\$)		Market Factor
					Low	High	Low	High	Low	High	Low	High	Low	High	
EPM 8795	Croydon (graphite)	9.8	4,880	100	2.0	2.5	1.0	1.5	2.0	3.0	2.5	3	49,000	165,000	1
EPM 18616	Black Mountain	58.6	29,275	100	2.0	2.5	1.0	1.5	2.0	3.0	2.5	3	293,000	988,000	1
Subtotal															
EPM 13775	Wallabadah	16.3	8,145	100	2.5	2.5	1	1.5	2.5	3	2.5	3	127,000	275,000	1
EPM 16002	Footo Creek	29.3	14,665	100	2.5	2.5	1	1.5	2.5	3	2.5	3	229,000	495,000	1
EPMA 26749 ¹	Wallabadah Ext	117.3	58,645	100	2.5	2.5	1	1	1	1	1.5	2.0	165,000	220,000	1
Subtotal															
													520,000	990,000	

Note:

¹ Under Application; a 25% discount to the Technical Value has been applied to account for the uncertainty associated with the timing of grant and conditions associated with grant for the status as an Application.

7 Valuation Summary

RSM Corporate Australia Pty Ltd (RSM) has commissioned SRK to prepare an Independent Specialist's Report, incorporating a technical assessment and valuation of Crater Gold Mining Limited's (Crater) Croydon Project in Queensland, Australia. This Report has been prepared under the guidelines of the VALMIN Code (2015), which incorporates the JORC Code (2012).

For this valuation, SRK conducted a high-level review of the available technical information supporting Crater's projects, for the purpose of determining the validity of such information from a valuation perspective.

While the VALMIN Code (2015) states that decisions regarding which valuation methodology is used are the responsibility of the Expert or Specialist, where possible, SRK considers a number of methods. The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

SRK has recommended preferred values and value ranges for Crater's mineral assets on the basis of historical estimates of quantities and grades of mineralisation and the areal extent of tenure. SRK has recommended value ranges for Crater's mineral assets on the basis of an analysis of recent comparable transactions involving similar Australian projects.

SRK's recommended valuation ranges and preferred values for each project are summarised in Table 7-1. SRK has produced a Market Value as defined by the VALMIN Code (2015). The positioning of SRK's selected graphite-gold valuation range and preferred value are explained elsewhere in this Report.

SRK notes that it has positioned its preferred value for the Croydon polymetallic project towards the upper end of its adopted valuation range, based on the results of a concept study which indicated that a potentially economic deposit could be developed, provided the key assumptions could be verified through ongoing exploration activities.

Table 7-1: Summary of SRK's technical valuation of Crater's mineral assets as at 25 October 2018

Project	Value Centre	Low (A\$,000)	High (A\$,000)	Preferred (A\$,000)
Golden Gate Graphite	Exploration Potential – Comparative Transactions (historic Resource)	90	532	
	Exploration Potential – Comparative Transactions (Area based)	100	720	
	Exploration Potential – Geoscientific	340	1,150	
	Selected	180	800	490
Croydon Polymetallic	Exploration Potential – Comparative Transactions*	410	760	
	Exploration Potential – Geoscientific*	520	990	
	Selected	500	1,000	800
All Projects (100% Equity Interest)		680	1,800	1,290

*Includes the 25% discount for EPMA 26749 which remains under application

Project Code: CRT002
Report Title: Independent Specialist’s Report on certain assets of Crater Gold Mining Limited

Compiled by



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Peer Reviewed by



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SRK Report Client Distribution Record

Project Number: CRT002

Report Title: Independent Specialist's Report on certain assets of Crater Gold Mining Limited

Date Issued: 26 October 2018

Name/Title	Company
Tom Fermanis	Crater Gold Mining Ltd
Sam Byford	RSM

Rev No.	Date	Revised By	Revision Details
0	22/06/2018	Bryce Healy	Draft Report to client for review
1	28/06/2018	J McKibben	Final Report
2	26/10/2018	J McKibben	Final report issued to client

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LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

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Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
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 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474



PROXY FORM

I/We being a member(s) of Crater Gold Mining Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11.00am (WST) on Thursday, 17 January 2019 at Consilium Corporate, Level 2, 22 Mount Street PERTH WA 6000** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolutions 2-6: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 2-6, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).


The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Approval of shares to Freefire and HSBC on behalf of Mr Sam Chan under the Rights Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Grant of Performance Rights to Mr Lawrence Lee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval to alter vesting conditions - Performance Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Grant of Performance Rights to Mr Desmond Sun	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Grant of Performance Rights to Mr Russ Parker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Grant of Performance Rights to Mr John Hung	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Grant of Performance Rights to Mr Thomas Fermanis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Joint Securityholder 2 (Individual)

Joint Securityholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3



HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (WST) on Tuesday, 15 January 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Crater Gold Mining Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**