
9 May 2014

Australian Securities Exchange

LOAN FUNDING

Crater Gold Mining Limited ("CGN") is pleased to advise its major shareholder Freefire Technology Limited ("Freefire") continues to support the company by entering into a Loan Agreement with the Company aimed to finance the company through to a granting of a Mining Lease for its Crater Mountain project. Freefire is controlled by CGN's Chairman of Directors, Sam Chan.

Under the Loan Agreement Freefire will advance \$1.5 million to CGN. Due to the nature of Mr Chan's relationship with CGN the Company sought and received independent advice that the Loan Agreement terms are arm's length or better from CGN's viewpoint.

Significant terms of the Loan Agreement are as follows:

1. The loan funds are to be used by the Company principally for the purpose of developing the High Grade Zone at the Company's Crater Mountain, PNG project and for general working capital.
2. Interest on the Principal Sum is payable by CGN to Freefire at the rate of 15% per annum.
3. The loan is for a six month term, however (i) CGN may repay the Principal Sum prior to then upon giving 7 days' written notice to Freefire; and (ii) CGN may extend the loan term by a further six months upon giving one month's written notice to Freefire. If CGN extends the loan term it must pay to Freefire, in addition to any other amount payable under the Loan Agreement, an extension fee of 5% of the principle amount (\$75,000). In this regard however if CGN extends the loan term it will, in accordance with advice received from CGN's professional advisors, evaluate market conditions at the time to ensure that the circumstances are such that payment of the extension fee would not nullify the arm's length or better status referred to above.
4. Upon the occurrence of an event of default under the Loan Agreement Freefire has the right to call for immediate repayment of moneys outstanding under the Loan Agreement. The events of default include standard events for a loan agreement of this type together with a further event specific to this Loan being failure to secure the grant of a Mining Lease for the High Grade Zone at CGN's Crater Mountain Project by 31 July 2014.

The company acknowledges that the granting of the Mining Lease will only occur once its operating subsidiaries applying for the Licence have met the stringent guidelines set out by various Papua New Guinea regulatory authorities who are involved in the approval process. In the event the Licence is not granted by the event of default date, the company will discuss progress of the Mining lease Application with Freefire to determine the best course of action to take in that circumstance.

Yours Faithfully

CRATER GOLD MINING LIMITED



Greg Starr
Managing Director