



Crater Gold Mining Limited ABN 75 067 519 779

Financial Report

For the half-year ended

31 December 2014

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Review of Operations

During the six months to the 31 December 2014, Crater Gold Mining Limited (“CGN” or the “Company”) made significant progress at the Company’s flagship Crater Mountain Project (“the Project”) in Papua New Guinea (“PNG”). The Company was granted Mining Lease ML 510 in November 2014 for the High Grade Zone project (“HGZ” project) at Crater Mountain. The granting of the Mining Lease is a milestone for the Company as it transitions from developer to gold producer. The Company is confident that the HGZ project at Crater Mountain will be producing high grade gold early in 2015. The Company anticipates mining 10,000 ounces of gold in the first twelve months of operation.

HGZ mine, Crater Mountain, PNG

Key Points

- **Mining lease (ML 510) granted**
- **Environment permit granted**
- **Landowners compensation agreement completed**
- **Mine safety upgraded prior to gold production commencement**
- **High grade drilling results continue**

Subsequent to end of period

- **Cessation order relaxed**

Mining Lease granted

In November 2014 Mining Lease ML 510 was granted to the Company’s PNG subsidiary Anomaly Limited (“Anomaly”) for the Company’s HGZ gold project at Crater Mountain, PNG.

Following a rigorous technical and environmental assessment process involving the PNG Mineral Resources Authority and the Department of Environment and Conservation, the Minister for Mining, the Hon Byron Chan, signed Mining Lease ML510 for Anomaly’s HGZ project at Crater Mountain. Previously the Environment Permit for the HGZ project was issued in October 2014 by the PNG Director of Environment to Anomaly Limited. The Company also successfully concluded a Compensation Agreement with the landowners and formally registered the agreement with the Mineral Resources Authority of PNG.

Gold mineralisation at the HGZ is in numerous narrow, highly oxidised veins that will be targeted by a small scale, underground mining operation. Development and drilling has shown that the junction of these structures is favourable for the occurrence of bonanza grades of coarse free gold up to 847 g/t Au (27.2 oz/t Au) (refer ASX release of 19 November 2013: “Bonanza gold grades intersected at High Grade Zone”). The Company is not aware of any new information or data that materially affects the information contained in that ASX release).

The mill and gravity concentration circuit are already commissioned on site, so the Company can effectively commence mining activities and gold production at short notice.

The Company anticipates mining 10,000 ounces of gold in the first twelve months of operation at an all-in cash cost of below A\$400 per ounce average over the Mining Lease term, positioning the mine within the lowest quartile in terms of operating costs. The Mining Lease enables the Company to mine for 5 years with the right to extend the Mining Lease.

As a high margin operation, the HGZ project will generate strong cashflows, which will fund further development at the HGZ mine and exploration activities at the Company’s other projects.

The granting of the Mining Lease is a milestone for the Company as it transitions from developer to gold producer for the very first time in its history.

While the current focus remains on the HGZ for early production, there remains excellent potential to increase the current JORC compliant resource of 24Mt at 1.0 g/t Au for 790,000 ounces at the Mixing Zone project at Crater Mountain (refer ASX Release of 24 November 2011: “Crater Mt – Initial Resource Estimate”). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data

Review of Operations

that materially affects the information contained in that ASX release. All material assumptions and technical parameters underpinning the resource estimate continue to apply and have not materially changed).

Crater Mountain is located 50 km southwest of Goroka in the Eastern Highlands Province of PNG. Formerly a tier-1 BHP asset, there has been in excess of 14,500 metres of diamond drilling to date, the majority focussed on the Nevera prospect, which hosts the HGZ project.



Mine safety upgraded prior to gold production commencement

Review of Operations

In late December last year the Mines Safety Inspectorate undertook an inquiry into the circumstances surrounding a motor vehicle accident which occurred at Crater Mountain on 23 November 2014 which ultimately led to the death of the driver of the motor vehicle. There has been no suggestion that any failure of the Company caused or contributed to the accident, and the Company believes that at all relevant times it provided a safe system of work and had appropriate operating procedures. The Company co-operated closely with the Inspectorate during the inquiry.

As a result of the inquiry the Inspectorate identified areas where changes and improvements should be made to enhance the safe environment. While the identified changes are being implemented mining activities have ceased. The Inspectorate made a site visit on Thursday 26 February 2015 to review the Company's progress towards addressing the matters raised in the Cessation Order.

High Grade drilling results continue from High Grade Zone

Drilling Programme

Since drilling commenced at the HGZ in March 2014 18 holes totalling 1473.5m have been fully reported with gold assay results. These holes have been drilled from a single drill platform on surface approximately 25m from the portal of the underground drive that has been developed through the known zone of mineralisation. Two holes, Nev37 and Nev41 totalling 143m, have been fully logged and photographed and kept as whole core for reference without being sampled.

This sequence of drill holes has provided the data necessary to interpret and delineate the mineralised structures over a strike of approximately 70m and dip of at least 90m.

Drilling Results

The Company is pleased with continued excellent high grade gold assay results from its diamond drilling programme.

Drill holes Nev42, Nev43 and Nev44 were completed, drilling to a depth of approximately 60m below the underground drive development on bearings from 85° through to 134°. The results in combination with historical results from drill hole Nev22 confirm that high grade mineralised structures continue down dip at least 90m and on strike by at least 60m.

Diamond drill holes Nev45 through to Nev48 inclusive were drilled on bearings of 96° and 126° respectively at dips which effectively close the drill spacing below the underground development to approximately 10 – 15m and to a depth of 50m below the underground development.

Drill holes Nev49 and Nev50 were down holes confirming depth continuity below the underground development.

The results from diamond drill holes Nev51 and Nev52 confirm the upward continuity of gold mineralisation above the underground development through to the ground surface in the vicinity of the artisanal workings on the 96° and 126° sections respectively.

The nature of mineralisation at the HGZ is that there is a clear set of mineralised structures trending approximately NS. However, evidence from artisanal mining and exposures in underground development show that there is a set of EW structures as well as shallow dipping link structures which influence the mineralisation and potential gold tenor.

The recent drilling campaign has effectively identified a number of mineralised NS structures but has not been well placed to confirm EW structures. Three drill holes in the current programme have intersected broad zones of low grade gold mineralisation. Nev34a reported 0.8g/t over 20.0m from 42.0m, Nev34b (twin of Nev34a) reported 0.8g/t over 30.0m from 28.0m and Nev38 reported 1.0g/t over 55.0m from 17.0m. From underground mapping and sampling it has generally been established that gold mineralisation is concentrated in very narrow oxidised structures rather than broad low grade zones.

Discussion of Results

Results from the drill holes set out in Table 1 continue to show good correlation between the underground development and adjacent drill holes. Drill holes Nev45 through to Nev52 are infill holes drilled on bearing 96° and 126° respectively. The drill data from all the current drilling is being interpreted by the Company's in-house geoscientists and mining engineers to design and layout an ongoing development and mining plan and to enable the Company's Independent consultant to carry out resource modelling and estimation.

Review of Operations

Significant Drilling Intercepts

Interval (m)	grade (g/t)	From depth (m)	Section Diagram	Reason for Interval Significance
Nev42	Figure 2		85 Deg Section	
1.0	13.3	49.5		Correlates with Nev22
0.5	14.0	65.5		Correlates with Nev22, Nev36 & Nev38
1.0	16.3	79.0		
Nev43	Figure 4		110 Deg Section	
3.5	9.4	59.5		Correlates with Nev35
incl 1.0	21.5	59.5		Discrete mineralised structure
and 0.5	15.4	62.5		Discrete mineralised structure
1.0	9.8	70.0		Correlates with Nev35
Nev44	Figure 6		134 Deg Section	
1.0	8.3	41.0		Correlates with Nev40
7.0	5.3	45.0		
Incl 1.0	18.7	49.0		
Nev45	Figure3		096 Deg Section	Infill Drill Section
1.0	8.7	25.0		
5.0	8.7	53.5		
incl 2.0	14.0	55.5		
Nev46	Figure 3		096 Deg Section	Infill Drill Section
1.0	11.5	19.5		
0.0	5.4	44.0		
3.0	16.5	67.0		
incl 0.5	40.7	67.0		High grade intercept of narrow vein
3.0	6.0	78.5		
incl 1.0	10.5	79.5		
Nev47	Figure 5		126 Deg Section	Infill Drill Section
1.5	46.8	37.5		Correlates with Nev35 on Sect 110 Deg & Nev40 on 134 Deg
incl 1.0	64.2	38.0		Bonanza grade intercept of narrow vein
Nev48	Figure 5		126 Deg Section	Infill Drill Section
1.0	5.2	35.5		Correlates with Nev47
1.0	7.0	38.5		Correlates with Nev47
1.0	7.9	53.0		
Nev49	Figure 5		126 Deg Section	Infill Drill Section
1.0	9.8	30.0		
0.5	7.9	47.0		

Review of Operations

Interval (m)	grade (g/t)	From depth (m)	Section Diagram	Reason for Interval Significance
Nev50	Figure 3		96 Deg Section	Infill Drill Section
3.0	13.4	20.0		Correlates with Nev46
Incl 1.0	18.9	22.0		
4.5	9.2	39.5		Correlates with Nev46
Incl 3.0	12.5	40.0		
1.0	8.4	49.0		
Nev51	Figure 3		96 Deg Section	Infill Drill Section
0.5	56.3	35.2		Correlates with Main Drive Sampling
0.8	7.4	54.5		Correlates with East Cross Cut Sampling
1.0	7.2	72.5		Possible East West structure
Nev52	Figure 5		126 Deg Section	Infill Drill Section
0.5	11.8	13.0		
2.0	6.2	35.0		Correlates with East Cross Cut Sampling

Table 1 - Significant Drilling Intercepts

Review of Operations

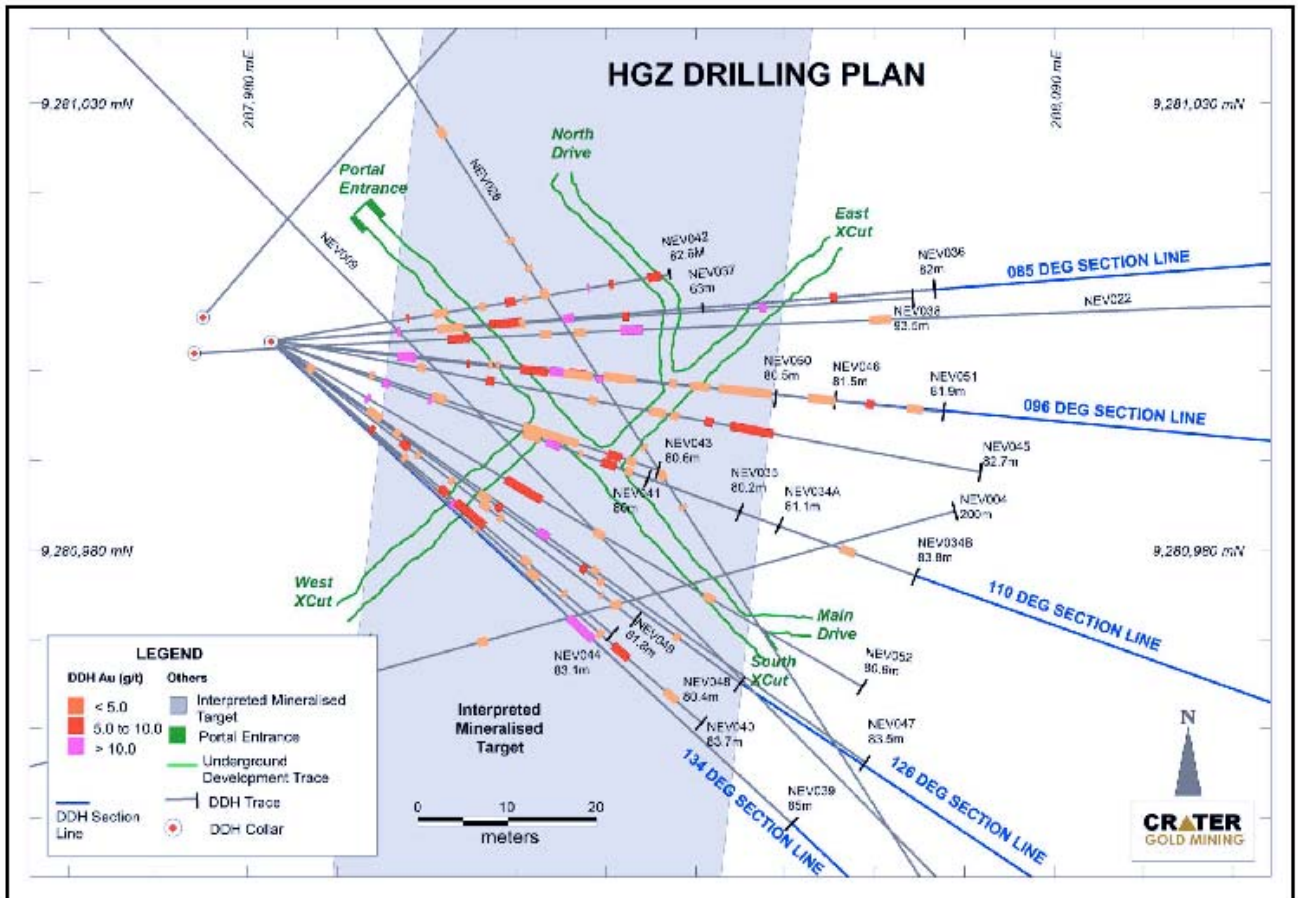


Figure 1 - Plan of Current Drill Hole Traces and Historic Drill Holes

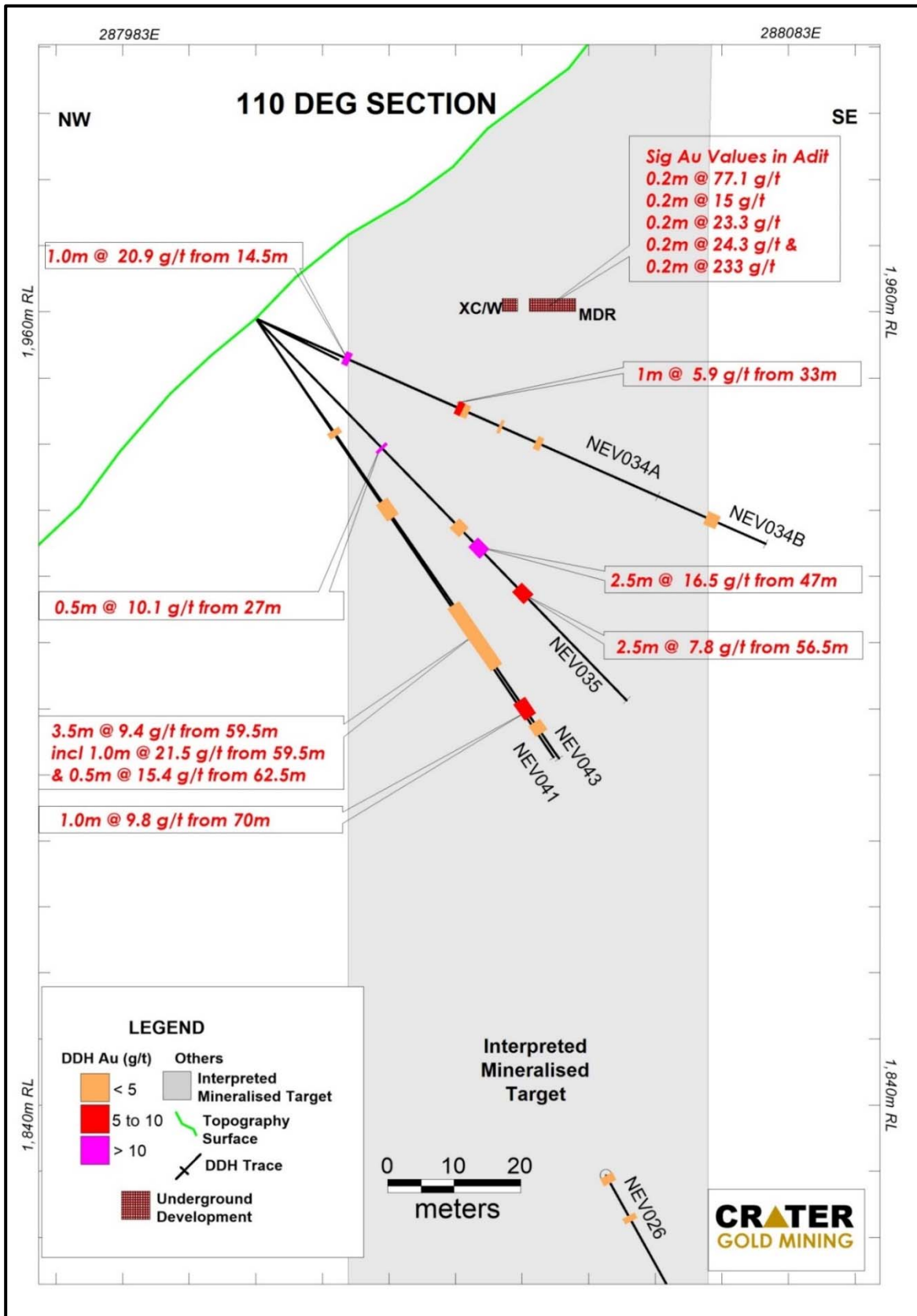


Figure 2- Section of Drill Holes and Intercepts on 110° Bearing

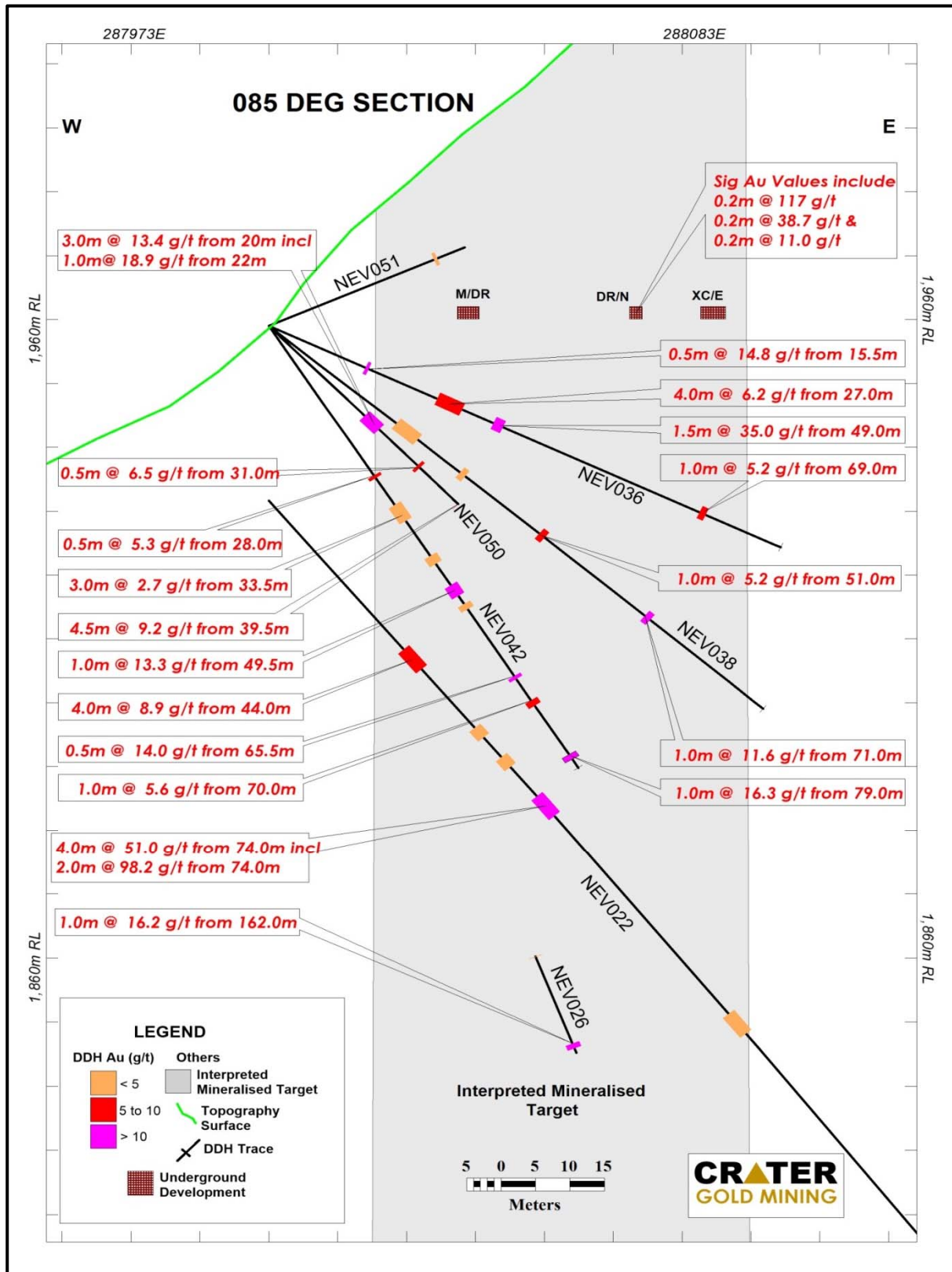


Figure 2 - Section of Drill Holes and Intercepts on 85° Bearing

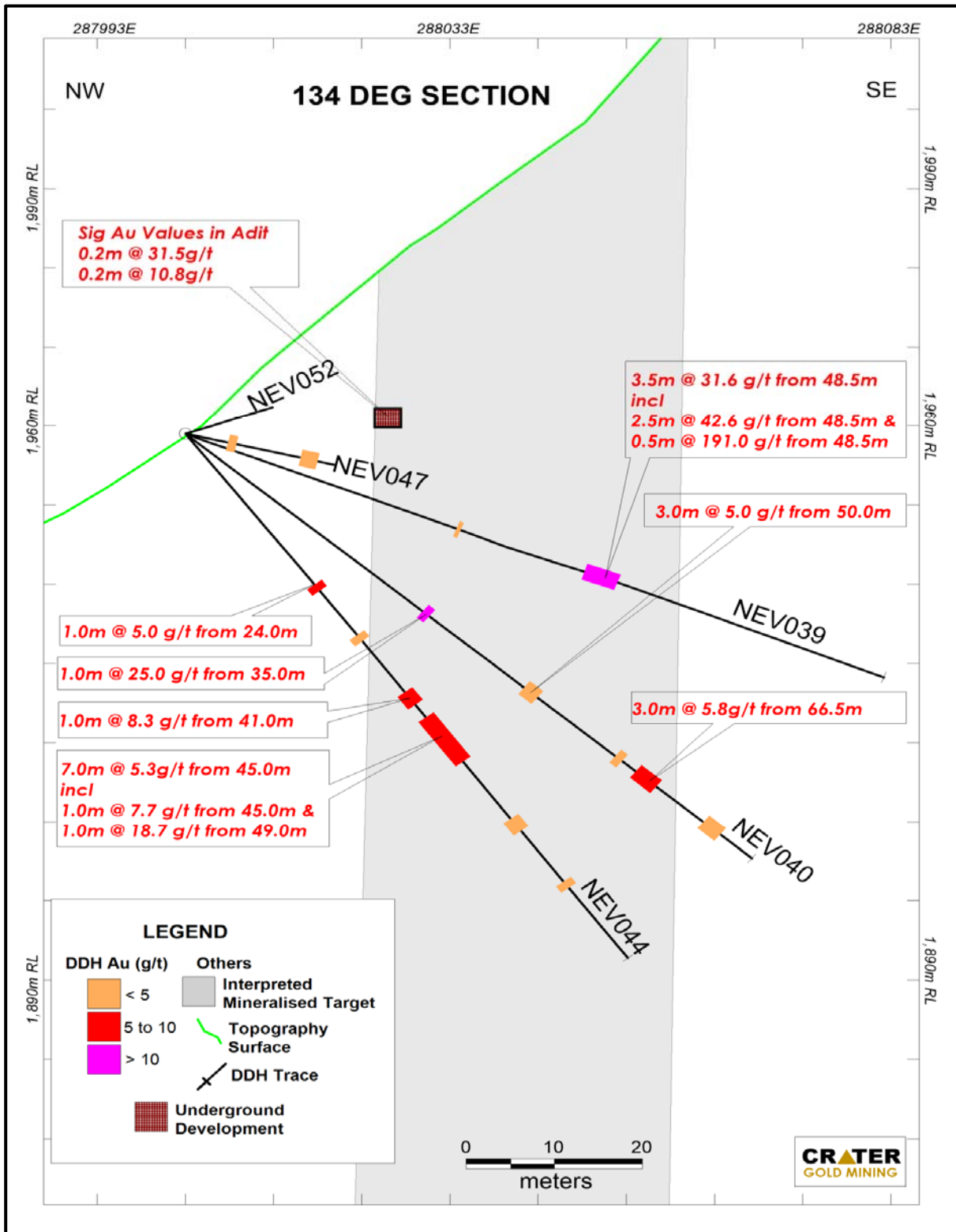


Figure 3 - Section of Drill Holes and Intercepts on 134° Bearing

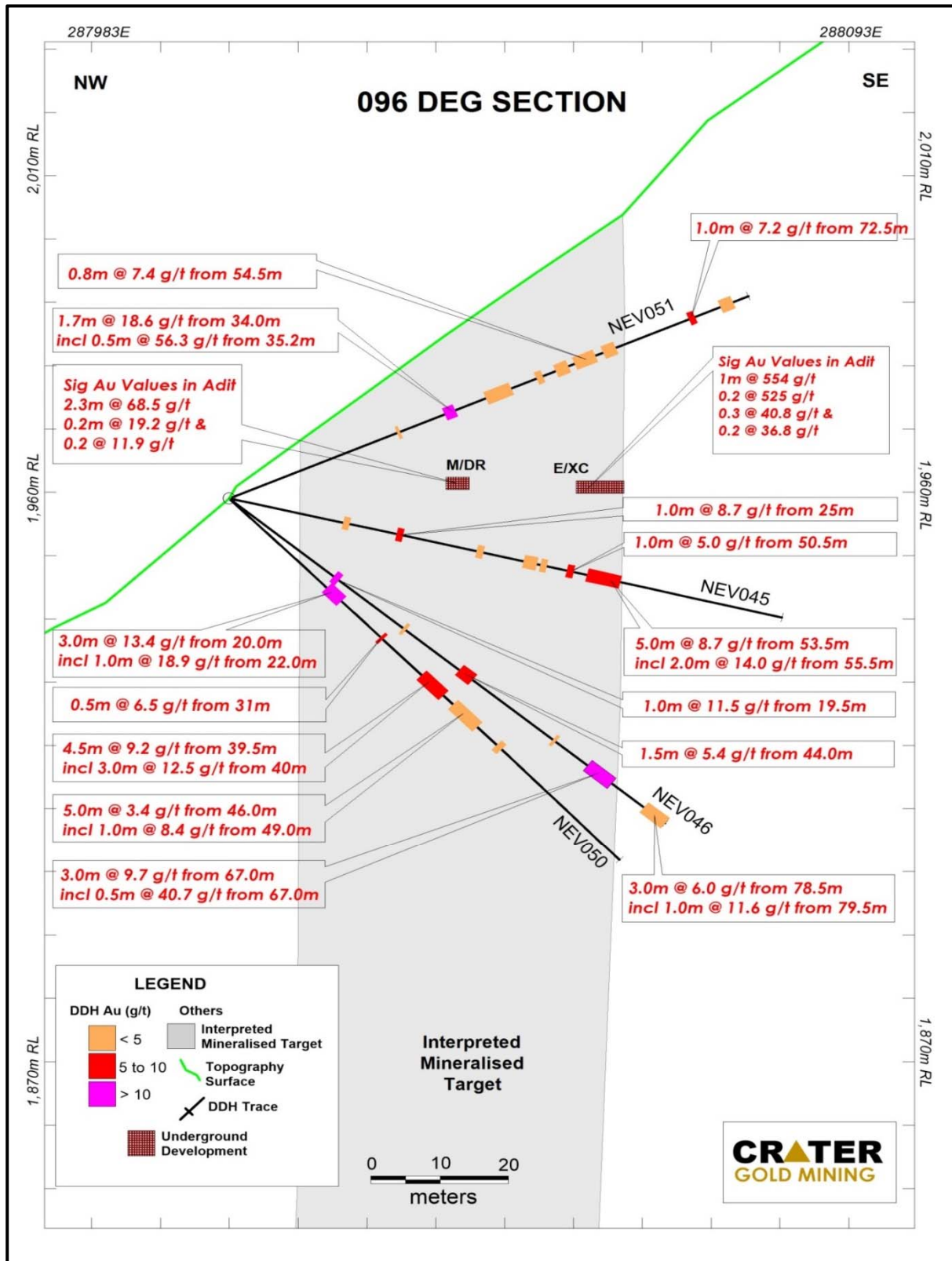


Figure 4 - Section of Drill Holes and Intercepts on 96° Bearing

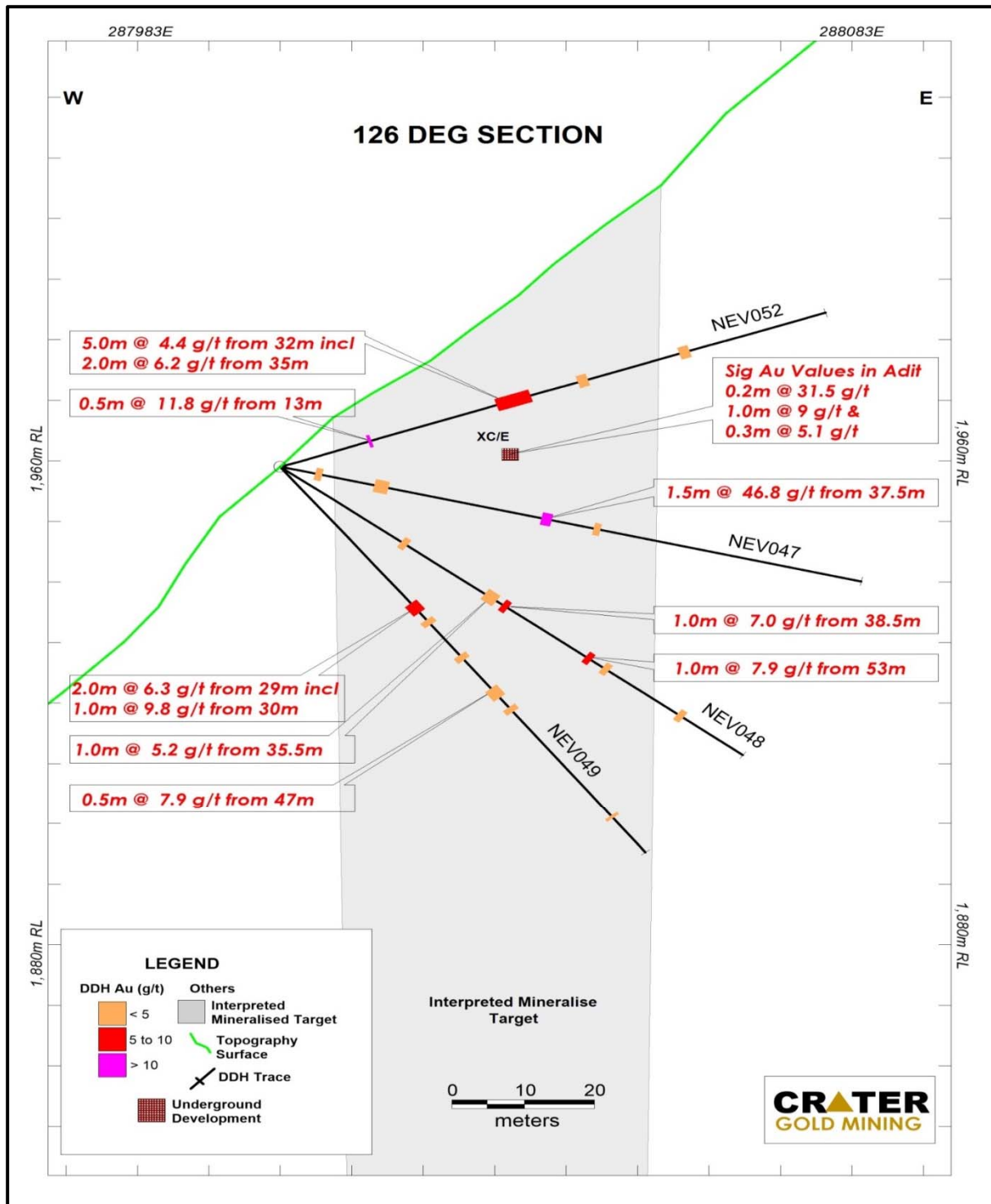


Figure 5 - Section of Drill Holes and Intercepts on 126° Bearing

Events subsequent to end of period

On the 12th March 2015 the Company announced to the ASX that it had received advice from the PNG Mines Safety Inspectorate the cessation order has been relaxed, subject to certain conditions, and the Company is free to commence mining operations at the High Grade Zone.

Corporate

Underwritten Non-Renounceable 1 Convertible Note for 1,000 Shares Rights Issue

In July 2014 the Company undertook a non-renounceable pro rata rights issue of one (1) convertible note for every one thousand (1,000) shares held at A\$25.00 per convertible note to raise up to \$3,454,750.

Under the rights issue the Company sought to raise up to \$3,454,750 from eligible shareholders. Application funds totalling \$2,564,775 were received and therefore the issue was undersubscribed by \$889,975. The rights issue was fully underwritten and the undersubscribed amount was taken up by the rights issue underwriters.



G B Starr

Managing Director

12 March 2015

The information contained in this report relating to exploration results and mineral resource estimate at Crater Mountain PNG is based on and fairly represents information and supporting documentation prepared by Mr Richard Johnson, PNG General Manager, of Crater Gold Mining Limited. Mr Johnson is a Fellow of The Australasian Institute of Mining and Metallurgy and has the relevant experience in relation to the mineralisation being reported upon to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Johnson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Directors' Report

Your Directors present their report, together with the financial statements, on the consolidated entity consisting of Crater Gold Mining Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2014.

Directors

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

S W S Chan (Non-executive Chairman)
G B Starr (Managing Director)
T M Fermanis (Non-executive Director)
L K K Lee (Non-executive Director)

R P Macnab (Non-executive Director)
R D Parker (Non-executive Director)
D T Y Sun (Non-executive Director)
J D Collins-Taylor (Alternate Director to T M Fermanis)

Mr Lawrence Lee was appointed a Non-executive Director of the Company on 6 June 2014.

Mr Collins-Taylor resigned as an Alternate Director to Mr Fermanis on 16 September 2014.

Principal Activities

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

Review of operations

The Group incurred a loss for the half-year of \$1,080,768 (2013: \$1,497,883) after interest income of \$3,140 (2013: \$28,606), profit on sale of other financial assets of Nil (2013: \$423,845) and financing expense, including equity settled expenses of \$228,962 (2013: Nil).

The Group held \$78,157 in cash at the end of the half-year (2013: \$2,059,356) after making payments of \$2,909,850 (2013: \$4,183,223) for operating and exploration activities and \$63,253 (2013: \$541,935) for the purchase of fixed assets.

A detailed Review of Operations is set out on pages 3 to 13 preceding the Directors' Report.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 15 of this Financial Report.

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

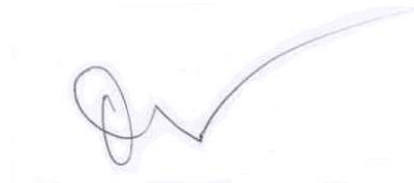
On behalf of the Directors



G B Starr
Managing Director

Sydney

12 March 2015



T M Fermanis
Director

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF CRATER GOLD MINING LIMITED

As lead auditor for the review of Crater Gold Mining Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Crater Gold Mining Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Gareth Few'.

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 12 March 2015

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Statement of Profit and Loss and Other Comprehensive Income

For the Half Year ended 31 December 2014

	Notes	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Continuing operations			
Profit on sale of other financial assets		-	423,845
Interest income		3,140	28,606
Total income		3,140	452,451
Expenses			
Administration expense	4	(793,073)	(1,067,340)
Corporate compliance expense		(61,874)	(89,159)
Exploration costs written off		-	(793,290)
Other expense			(545)
Financing expense		(228,961)	-
Loss before income tax expenses from continuing operations		(1,080,768)	(1,497,883)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,080,768)	(1,497,883)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		1,613,218	(2,021,746)
Total comprehensive income for the half-year, net of tax		532,450	(3,519,629)
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic and diluted loss - cents per share		(0.79)	(1.34)

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

Statement of Financial Position

As at 31 December 2014

	Notes	Consolidated 31 December 2014 \$	Consolidated 30 June 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents		78,157	333,986
Trade and other receivables		203,299	172,200
Total current assets		281,456	506,186
Non-current assets			
Other financial assets		63,742	45,437
Exploration and evaluation	5	28,877,041	30,212,032
Mining assets	6	5,220,377	-
Plant and equipment	7	824,846	836,418
Total non-current assets		34,986,006	31,093,887
Total assets		35,267,462	31,600,073
LIABILITIES			
Current liabilities			
Trade and other payables		805,754	718,566
Related party payables		388,811	129,278
Interest bearing liabilities	8	1,030,000	1,500,000
Provisions		67,870	51,101
Total current liabilities		2,292,435	2,398,945
Non-current liabilities			
Interest bearing liabilities	9	2,889,902	-
Total non-current liabilities		2,889,902	2,398,945
Total Liabilities		5,182,337	2,398,945
Net Assets		30,085,125	29,201,128
EQUITY			
Contributed equity	10	50,768,612	50,768,612
Convertible note reserve		340,508	-
Reserves		2,902,574	1,278,317
Accumulated losses		(23,926,569)	(22,845,801)
Total Equity		30,085,125	29,201,128

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

Statement of Changes in Equity

As at 31 December 2014

Notes	Contributed equity \$	Convertible note reserve \$	Reserves \$	Accumulated losses \$	Total \$
Consolidated					
Balance at 1 July 2014	50,768,612	-	1,278,317	(22,845,801)	29,201,128
Movement in share based payment reserve	-	-	11,040	-	11,040
Issue of convertible notes	-	340,508	-	-	340,508
Transaction costs	-	-	-	-	-
Transactions with owners	-	340,508	11,040	-	351,548
Loss after tax	-	-	-	(1,080,768)	(1,080,768)
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	1,613,217	-	1,613,217
Total comprehensive income for the period	-	-	1,613,217	(1,080,768)	532,449
Balance at 31 December 2014	50,768,612	340,508	2,902,574	(23,926,569)	30,085,125
Consolidated					
Balance at 1 July 2013	48,565,624	-	3,420,840	(20,609,486)	31,376,978
Movement in share based payment reserve	-	-	324,622	-	324,622
Issue of share capital	2,382,965	-	-	-	2,382,965
Transaction costs	(179,977)	-	-	-	(179,977)
Transactions with owners	2,202,988	-	324,622	-	2,527,610
Loss after tax	-	-	-	(1,497,883)	(1,497,883)
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	(2,021,746)	-	(2,021,746)
Total comprehensive income for the half-year	-	-	(2,021,746)	(1,497,883)	(3,519,629)
Balance at 31 December 2013	50,768,612	-	1,723,716	(22,107,369)	30,384,959

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

Statement of Cash Flows

For the Half Year ended 31 December 2014

Notes	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Cash flows from operating activities		
Payments to suppliers and employees	(508,564)	(1,355,826)
Interest received	3,140	28,606
Interest paid	(169,314)	-
Net cash used in operating activities	(674,738)	(1,327,220)
Cash flows from investing activities		
Purchases of property plant and equipment	(63,253)	(541,935)
Payments for exploration and evaluation	(2,167,757)	(2,856,003)
Proceeds from sale of other financial assets	-	1,465,345
(Payments for)/refunds of security deposit	(18,305)	(3,465)
Net cash used in investing activities	(2,249,315)	(1,936,058)
Cash flows from financing activities		
Proceeds from issue of ordinary shares and options	-	2,182,965
Share issue costs	-	(179,977)
Proceeds from issue of Convertible Notes (net of costs)	3,170,762	-
Proceeds from borrowing	1,030,000	-
Repayment of borrowing	(1,500,000)	-
Net cash provided by financing activities	2,700,762	2,002,988
Net (decrease) / increase in cash held	(223,291)	(1,260,290)
Cash at the beginning of the half-year	333,986	3,422,825
Effects of foreign exchange movements on cash transactions and balances	(32,538)	(22,628)
Cash at the end of the half-year	78,157	2,059,356

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

Notes to the Interim Financial Statements

1. Basis of preparation

These financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard 134 'Interim Financial Reporting' and the Corporations Act 2001 as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 'Interim Financial Reporting'.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, other than those below;

1 (a) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

1 (b) Mining assets

Capitalised mining development costs include expenditures incurred to develop the Company's High Grade Zone gold project at Crater Mountain, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable gold reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known gold deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

New, Revised or amending Accounting Standards and Interpretations adopted.

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to the Interim Financial Statements

2. Going concern

These financial statements are prepared on a going concern basis. The Group has incurred a net loss after tax of \$1,080,768 (2013: \$1,497,883) for the half-year ended 31 December 2014 with total cash outflows from operating and investing activities of \$2,924,053 (2013: \$3,263,278). As at 31 December 2014, the Group had net current liabilities of \$2,010,979 (2013: net asset \$1,474,930) including cash on hand of \$78,157 (2013: \$2,059,356).

In determining the appropriateness of the financial statements being presented on a going concern basis the Directors note the following:

- a) The Group's key area of expenditure is the Crater Mountain Project in Papua New Guinea. The Group was granted a mining lease (ML510) over a portion of the project in December 2014 (the High Grade Zone or HGZ) and anticipate production to commence in March 2015. The Directors are confident that revenue generated from gold sales from the HGZ will be adequate to cover future working capital requirements of the Group.
- b) The Group has signed an agreement with Freefire Technology Limited, the Group's largest shareholder to:
 - i. Provide short term bridging loans to the value of \$1.6m at an interest rate of 15% per annum. The loans will be repaid out of the proceeds of proposed capital raising and anticipated gold sales;
 - ii. Provide further funding of up to \$1.2m on commercial terms, should the Group require funds in the short term.
- c) In addition, the Group has successfully raised funds through share issues and debt funding on a number of occasions and the Directors are confident that this could be achieved should the need arise.

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

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

Notes to the Interim Financial Statements

3. Operating Segments

	Croydon \$	Fergusson Island \$	Crater Mountain \$	Elimination \$	Consolidated \$
Half-year to 31 December 2014					
External segment revenue	-	-	-	-	-
Segment expenses	-	-	1,855,623	(1,917,877)	(62,254)
Segment profit / (loss)	-	-	1,855,623	(1,917,877)	(62,254)
Interest revenue					3,140
Other expenses					(1,021,654)
Profit before income tax expense					(1,080,768)
Income tax expense					-
Profit after income tax expense					(1,080,768)
Segment assets	4,188,675	257,824	29,035,273	(42,311,964)	(8,830,192)
Other assets					44,097,654
Net assets					35,267,462
Segment liabilities	-	-	31,042,483	(30,509,486)	532,997
Other liabilities					4,649,340
Net liabilities					5,182,337
Half-year to 31 December 2013					
External segment revenue	-	-	-	-	-
Segment expenses	-	-	(2,282,768)	2,236,798	(45,970)
Segment profit / (loss)	-	-	(2,282,768)	2,236,798	(45,970)
Interest revenue					28,606
Other expenses					(1,480,519)
Profit before income tax expense					(1,497,883)
Income tax expense					-
Profit after income tax expense					(1,497,883)
Segment assets	4,154,890	193,565	22,889,621	(37,374,962)	(10,136,886)
Other assets					41,211,250
Net assets					31,074,364
Segment liabilities	-	-	25,838,032	(25,572,483)	265,549
Other liabilities					423,856
Net liabilities					689,405

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

Description of segments

Crater Mountain

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

Croydon

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

Fergusson Island

This project consists of two gold exploration projects at Wapulu and Gameta on Fergusson Island, in Milne Bay province, PNG.

Notes to the Interim Financial Statements

	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
4. Administration expenses		
Employee benefits expense	200,342	196,983
Employee Share Option Plan ¹	11,040	308,838
General administration expenses	581,691	561,519
	793,073	1,067,340

¹ This represents the fair value of equity-settled share options granted under the Employee Share Option Plan as at the date of grant using a Black-Scholes option pricing method. Full details are disclosed in the Notes to the Financial Statements as at 30 June 2014

	Consolidated 31 December 2014 \$	Consolidated 30 June 2014 \$
5. Non-Current Assets - Exploration and Evaluation		
<u>At the beginning of the year</u>		
Cost	31,201,205	28,653,373
Provision for impairment	(989,173)	(989,173)
Net book value	30,212,032	27,664,200
Opening net book value	30,212,032	27,664,200
Expenditure capitalised	2,290,215	5,620,830
Expenditure reclassified to Mining assets	(5,220,377)	-
Exploration costs written off	-	(793,100)
Effect of movement in exchange rates	1,595,171	(2,279,898)
Closing net book value	28,877,041	30,212,032
<u>At the end of the year</u>		
Cost	29,866,214	31,201,205
Provision for impairment	(989,173)	(989,173)
Net book value	28,877,041	30,212,032

6. Non-Current Assets – Mining assets

<u>At the beginning of the year</u>		
Cost	-	-
Provision for impairment	-	-
Net book value	-	-
Opening net book value	-	-
Additions	-	-
Mining assets reclassified from Exploration and Evaluation	5,220,377	-
Disposals	-	-
Amortisation expense	-	-
Effect of movement in exchange rates	-	-
Closing net book value	5,220,377	-
<u>At the end of the year</u>		
Cost	5,220,377	-
Provision for impairment	-	-
Net book value	5,220,377	-

As a result of the granting of the mining lease, ML510 for Anomaly's HGZ project at Crater Mountain in the Eastern Highlands Province, the decision was taken to reclassify the relevant exploration and evaluation expenditure as a mining asset in line with accounting standards.

Notes to the Interim Financial Statements

	Consolidated 31 December 2014 \$	Consolidated 30 June 2014 \$
7. Non-Current Assets - Plant and Equipment		
Plant and equipment		
Cost	1,314,236	1,182,843
Accumulated depreciation	(489,390)	(346,425)
Net book value	824,846	836,418

A reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and prior financial years are set out below.

	Plant and equipment
Carrying amount as at 1 July 2013	326,163
Additions	788,628
Disposals	(9,724)
Depreciation expense	(6,869)
Depreciation capitalised	(225,723)
Effect of movements in exchange rates	(36,057)
Carrying amount as at 30 June 2014	836,418
Additions	63,253
Disposals	-
Depreciation expense	(2,952)
Depreciation capitalised	(122,458)
Effect of movements in exchange rates	50,585
Carrying amount as at 31 December 2014	824,846

Notes to the Interim Financial Statements

	Consolidated 31 December 2014 \$	Consolidated 30 June 2014 \$
8. Current Liabilities – Interest bearing liabilities		
Freefire Technology Limited loan	1,030,000	1,500,000
	<u>1,030,000</u>	<u>1,500,000</u>

The Company has secured three short-term, interest bearing loans totalling \$1,030,000 from its major shareholder, Freefire Technology Limited.

- 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.
- Interest on the Principal Sums is payable by the Company to Freefire at the rate of 15% per annum.
- The loans are for a three month term, however (i) the Company may repay the Principal Sum prior to then upon giving 7 days' written notice to Freefire; and (ii) the Company may extend the loan term by a further three months upon giving one month's written notice to Freefire. If the Company 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 (\$51,500). In this regard however if the Company extends the loan term it will, in accordance with advice received from the Company'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.

9. Non-current Liabilities – Interest bearing liabilities

Convertible notes	2,889,902	-
	<u>2,889,902</u>	<u>-</u>

On 22 August 2014 the consolidated entity issued 138,190 10% convertible notes, with a face value of \$25 each, for total proceeds of \$ 3,454,750. Interest is paid on a semi-annual basis from 31 December 2014 onwards in arrears at a rate of 10% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, on a quarterly basis at the option of the holder, or repayable on 22 August 2017. The conversion rate is 100 ordinary shares for each note held.

Total transactions costs were \$283,988 at the date of issue and unamortised transaction costs of \$237,964 have been offset against the convertible notes payable liability.

The convertible notes are unsecured.

Notes to the Interim Financial Statements

10. Contributed Equity

Equity Securities Issued	No. of ordinary shares	Total \$
For the half-year ended 31 December 2014		
As at 1 July 2014	136,435,320	50,768,612
Shares issued	-	-
As at 31 December 2014	136,435,320	50,768,612
For the full year ended 30 June 2014		
As at 1 July 2013	108,654,916	48,565,624
Shares issued	27,780,404	2,202,988
As at 30 June 2014	136,435,320	50,768,612

In October 2013 the Company consolidated its issued share capital on a 1 for 100 basis. Both the opening balance of equity securities issued as at 1 July 2013 and the comparative figures for the full year ended 30 June 2013 have been restated to reflect the 1 for 100 share consolidation.

The table of movements in Ordinary Share Capital below has similarly been restated to reflect a 1 for 100 consolidation.

Movements in Ordinary Share Capital

Date	Details	No. of shares	Value \$
Half-year to 31 December 2014			
01-Jul-13	Balance 1 July - Ordinary Shares	136,435,320	50,768,612
		136,435,320	50,768,612
For the full year ended 30 June 2014			
01-Jul-13	Balance 1 July - Ordinary Shares	108,654,916	48,565,624
24-Jul-13	Global Resources Corporation	493,340	200,000
16-Dec-13	Rights Issue	27,287,064	2,182,965
	Less: Transaction costs arising on share issues		(179,977)
		136,435,320	50,768,612

11. Contingent liabilities

The Company does not have any contingent liabilities.

12. Post balance sheet events

Freefire Technology Limited ("Freefire")

Subsequent to the end of the reporting period, Freefire has advanced the Company a further \$600,000 in loans to cover on going working capital requirements.

Cessation order at High Grade Zone

On the 12th March 2015 the Company announced to the ASX that it had received advice from the PNG Mines Safety Inspectorate the cessation order has been relaxed, subject to certain conditions, and the Company is free to commence mining operations at the High Grade Zone.

Directors' Declaration

The Directors of the Company declare that:

- 1) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - a) Giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and
 - b) Complying with the Accounting Standard *AASB134 Interim Financial Reporting*, and the Corporations Regulations 2001.
- 2) Having regard to those matters referred to in Note 2, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



G B Starr
Managing Director

Sydney
12 March 2015

Independent Auditor's Review Report



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Crater Gold Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Crater Gold Mining Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Crater Gold Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Independent Auditor's Review Report



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

A handwritten signature in black ink that reads 'Gareth Few'. The signature is written in a cursive style.

Gareth Few

Partner

Sydney, 12 March 2015

Directors:	S W S Chan (Non-executive Chairman) G B Starr (Managing Director) T M Fermanis (Non-executive Director) L K K Lee (Non-executive Director) R P Macnab (Non-executive Director) D T Y Sun (Non-executive Director) R D Parker (Non-executive Director)
Company Secretary:	J A Lemon
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Registered Office:	Level 4, 15 – 17 Young Street, Sydney NSW 2000 Australia Telephone: +61 2 9241 4224 Email: info@cratergold.com.au
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Share Registry:	Link Market Services Limited Level 15, 324 Queen Street Brisbane QLD 4000 Australia Telephone: 1300 554 474 Facsimile: +61 7 3228 4999
Auditors:	BDO East Coast Partnership Level 11 1 Margaret Street Sydney NSW 2000 Australia Telephone: +61 2 9251 4100
ASX Listing:	Crater Gold Mining Limited shares are quoted on the Australian Securities Exchange under the code “CGN”.
Website address:	www.cratergold.com.au