

25 February 2014

Australian Securities Exchange

DRILLING TO DELINEATE MEASURED RESOURCE COMMENCES AT HIGH GRADE ZONE (HGZ) GOLD PROJECT, PNG

Crater Gold Mining (ASX: CGN, "Crater Gold") (the Company) has commenced a drilling programme at its High Grade Zone (HGZ) project at Crater Mountain, PNG.

The drilling programme will target the HGZ at Crater Mountain's Nevera Prospect, which is earmarked to commence gold mining later this year subject to a positive outcome from a mining lease application (*refer ASX release 24 February 2014- Mining Lease Application Lodged For HGZ Project*). The objective of the drilling is to further delineate the zone to generate a measured resource prior to the commencement of production.

The Company has mobilised a Diamec 250 hydraulic underground diamond drill rig which will be used initially to drill from the surface adjacent to the exploration adit portal before being installed underground to drill from specially prepared drill cuddies.

A first stage of approximately 1,800m of drilling comprising sixteen diamond drill holes will be drilled in four fans providing potential coverage for 80m strike and 100m of dip extension of the identified high grade mineralised zone. These holes are planned to intersect the mineralised zone with each hole approximately 20m apart (*refer to Figures 1, 2 and 3*). The first fan to be drilled is E Section Line (110°) shown on plan in Figure 1 and in section on Figure 2 to be followed by fans at bearings of 75°, 140° and 45° respectively. The target pierce points of the planned holes are shown in long section on Figure 3.

Managing Director Greg Starr said "We are encouraged by previous underground development sampling which intersected bonanza gold grades, as well as high grades from our 2012 diamond drilling campaign." (*refer ASX Release 19 November 2013 Bonanza gold grades intersected at High Grade Zone*). "This is an exciting period for the Company as we progress towards production and early cash flow generation."

A report by independent geological consultants, Mining Associates (“MA”), suggests an exploration target for the High Grade Zone prospect based on selective underground mining of:

HGZ Target - 50,000 to 250,000 tonnes at 13 to 30 g/t Au for 60,000 to 100,000 ounces of contained Au

(ASX Release 17 October 2013: High Grade Zone – Independent Consultant Target Review, Crater Mountain, PNG) **(The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.** The Company is not aware of any new information or data that materially affects the information included in the abovementioned ASX announcement. The form and context in which MA’s findings are presented have not been materially modified. 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 study by MA highlighted the excellent potential for similar independent zones of high grade gold to be present with the vicinity of the HGZ. (ASX Release 24 February 2014).

Fast tracking production remains main priority for 2014

The Company has lodged an application for a Mining Lease with the Papua New Guinea (PNG) Minerals Resources Authority. Subject to the timing of the grant of the Mining Lease, gold production is expected to begin in the 3rd quarter 2014.

The very high grades of coarse free gold mineralisation (*ASX Release 19 November 2013 - “Bonanza gold grades intersected at High Grade Zone”*) in these structures will support a small, highly selective narrow vein mining operation requiring simple mining infrastructure and recovery of gold by gravity separation without the need for complex processing technology. Mining will be carried out underground by hand held mining methods at a rate of approximately 1,000 tonnes per month. A process plant has been sourced in Africa especially designed and built in modular form for simple installation and ease of operation.

The HGZ was previously mined at high grades (several ounces per tonne interpreted from the volume of ore extracted and gold produced) at surface and in shallow shafts by local miners, with an estimated 15,000 ounces extracted since 2005.

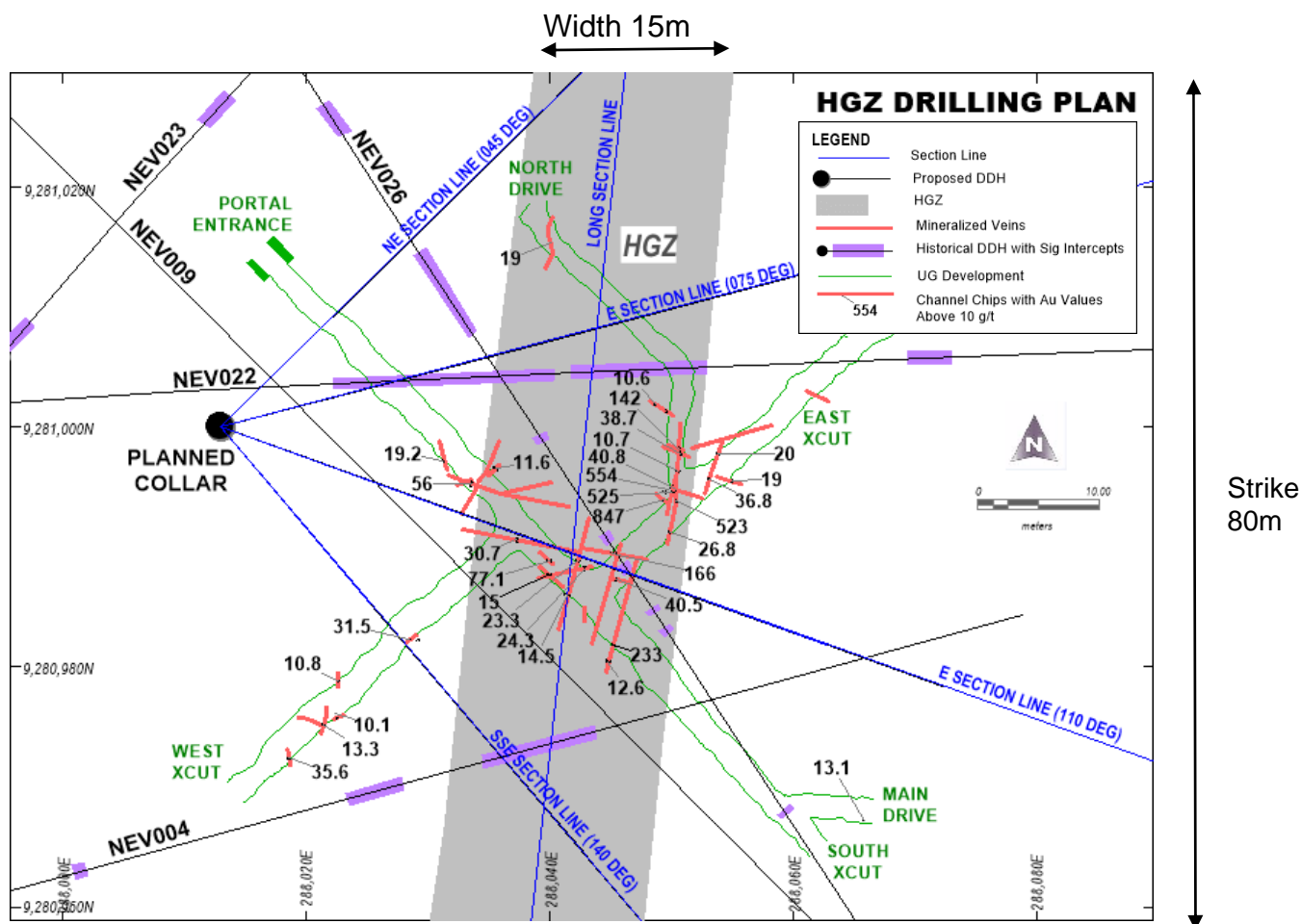


Figure1. Layout of Planned Drilling

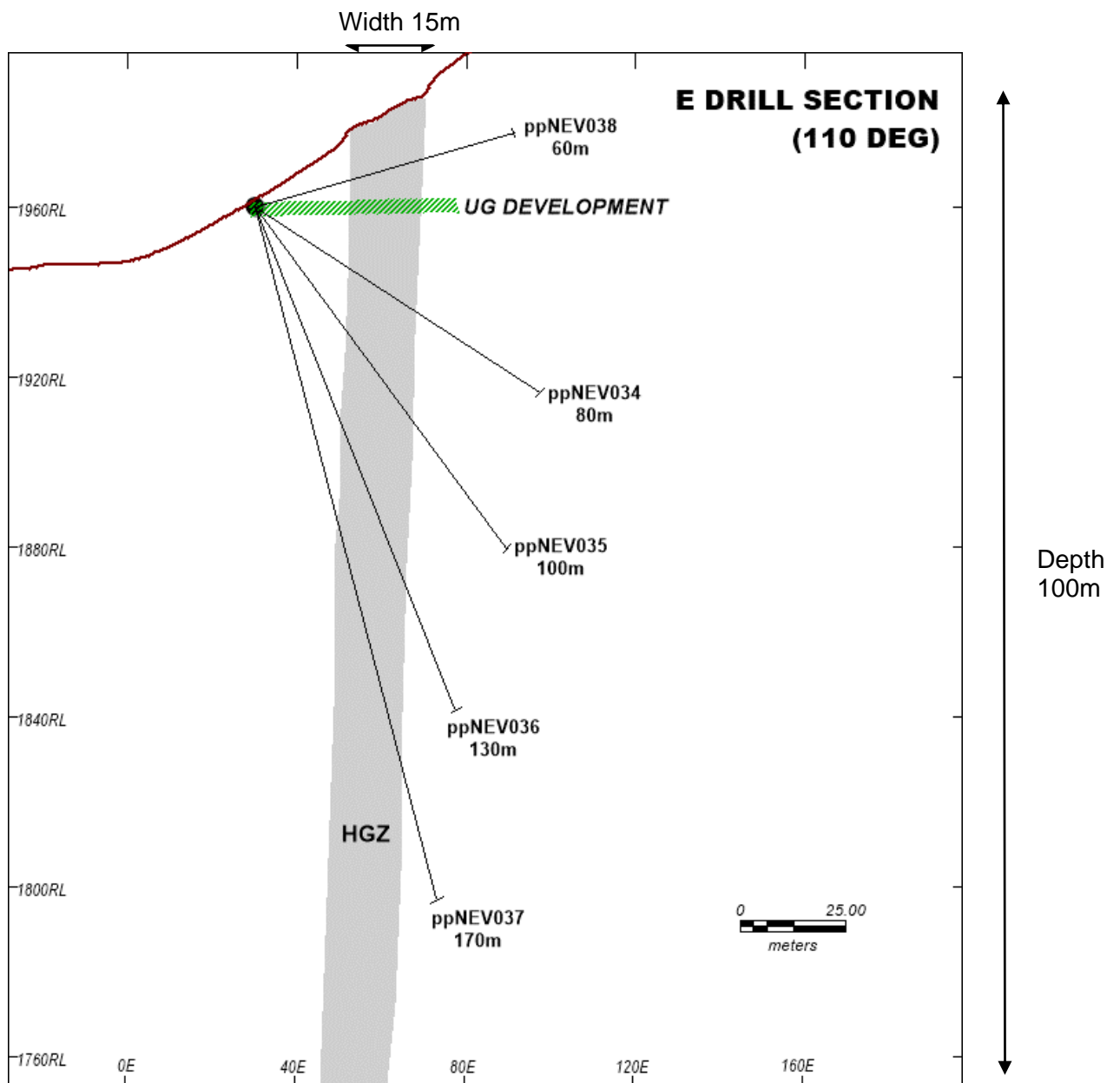


Figure 2. Cross Section of planned drilling on Bearing 110°

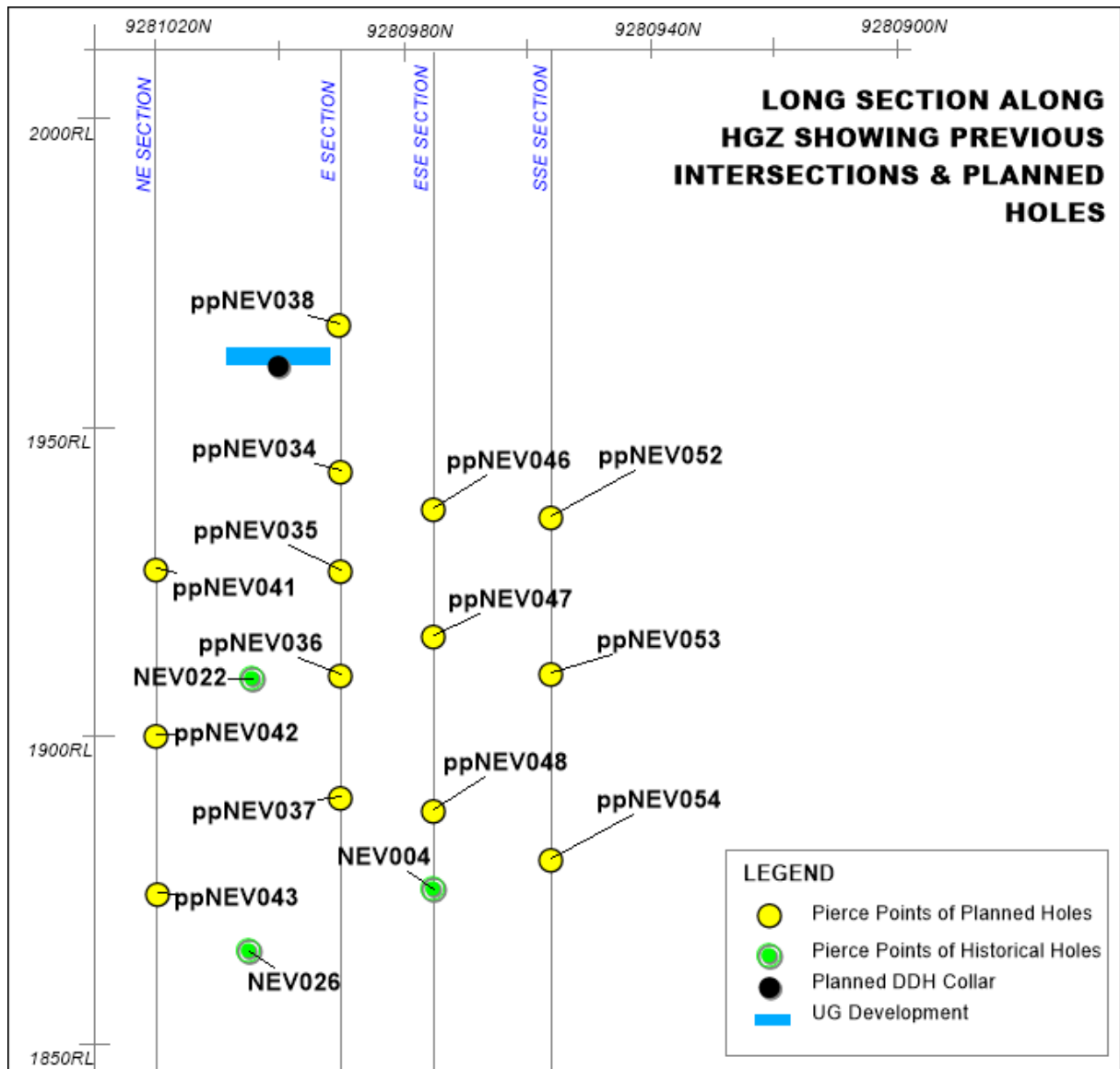


Figure 3. Long Section In Plane of HGZ with Target Pierce Points

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The information contained in this report relating to exploration results and exploration target at Crater Mountain PNG is based on information compiled by Mr P Macnab, Non-Executive Director of Crater Gold Mining Limited. Mr Macnab is a Fellow of The Australian Institute of Geoscientists 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 Macnab consents to the inclusion in this report of the matters based on his information in the form and context in which it appears