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Australian Securities Exchange

SECOND ADIT TO INCREASE GOLD PRODUCTION AT HGZ PROJECT

Crater Gold Mining Limited (ASX: CGN or the Company) is pleased to announce that plans are in place to commence the Second Adit at the 1930 level, 30m below the existing 1960 level adit at the High Grade Zone (HGZ) Project at Crater Mountain, Papua New Guinea (PNG). The area between 1930 level and 1960 level has not been exploited at all by artisanal miners, unlike the area between 1960 level and surface where artisanal workings are frequently encountered and thus the addition of the Second Adit will result in higher gold production as both the 1930 and 1960 levels will be producing in tandem. The adit will access the depth continuity of the central block of the high grade zone, this will provide more working faces in addition to those being mined above the 1960 level and will result in greater flexibility and higher production.

Gold mining production is ongoing at the HGZ and so far has been focused on stoping the near vertical structures within the central high grade block of the HGZ project. As of early August 2016 a further \$149,000 has been received by the Company from recent gold sales (since the previous ASX release of 7th of June 16).

The Company is expecting that gold production will further increase as stoping is now also undertaken on the flat dipping structures as well as the near vertical structures within the central high grade block of the HGZ mine (see ASX release 10 February 2016 for details of the block).

It is important in this type of mining operation that a number of production faces within the mine are exploited simultaneously to achieve a more consistent recovered grade.

Currently only one mill is in production, however minor changes to the milling circuit are planned, involving the installation of a vibrating screen and placement of mills in series rather than in parallel. This will result in a considerable increase in throughput and less wear of hammers and discharge screens. The Company's focus remains on ramping up production to full capacity.

The Company's Managing Director Russ Parker stated:

"We are constantly looking at every avenue to increase production hence the need for the second adit and the plan to modify the processing plant whilst also working on containment of costs. We are currently investigating the feasibility of upgrading a gazetted track to a level which might support 4WD access and as such would result in less reliance on expensive air freight by fixed wing and helicopter."

The Company will be issuing a Mixing Zone project update in the near future.

While the current focus is on the HGZ mine, there remains potential to increase the JORC-compliant resource of 24Mt at 1.0 g/t Au for 790,000 ounces¹ at the nearby Mixing Zone project at Crater Mountain.

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 mine and Mixing Zone project.

For further information contact:

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¹ 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 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).