

23 July 2013

Australian Securities Exchange

FERGUSSON ISLAND, PAPUA NEW GUINEA - GRANT OF EL 2180 WAPOLU

Crater Gold Mining Limited (ASX: CGN) ("the Company" or "CGN") is pleased to announce that as a result of the Company's re-application through a wholly owned subsidiary for the area containing the Wapolu gold deposit on Fergusson Island a new exploration license, EL 2180, has now been granted over the deposit.

The re-application (ELA 2180) was lodged following expiry of the original tenement over the deposit, EL 1025, in early 2012 (see Figure 1 below). The grant of EL 2180 follows the grant of EL 1972 over the nearby Gameta gold deposit to the Company on 20th December 2012, after re-application following the expiry of the original license, and returns to the Company all of the ground previously held by it on Fergusson Island.



Figure 1: Location of EL2180 (Wapolu) and EL 1972 (Gameta)

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COMPETENT PERSONS STATEMENTS

The information contained in this report relating to Exploration Results and Mineral Resources at Fergusson Island, 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 2004 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.

Appendix

Background

The previously extensively drilled Wapolu and Gameta gold deposits, located in close proximity to each other on the north coast of Fergusson Island in Papua New Guinea's Milne Bay Province, comprise the Company's Fergusson Island Project, upon which over \$15M has been spent since 1996.

Exploration in the area began in 1982 when Esso PNG Inc. identified the Wapolu deposit. Wapolu was explored further during 1992-1997 by a joint venture of Union Mining NL (Union) and Macmin NL and involved RC drilling. Gold was mined at Wapolu from late 1995 to mid-1997 however for various reasons (see below) this was not successful.

During this period, the Gameta deposit was identified by Union and Macmin and a program of RC drilling was undertaken there. During 1997 and 1998, a Union and Yamana Resources Inc. joint venture undertook further drilling at Gameta including shallow Airtrack drilling, RC and diamond core drilling. This brought the drilling total to 195 reverse circulation holes and 6 diamond core holes. In 2003, the Company drilled four diamond holes at Gameta, followed by a larger program of 23 diamond holes during 2007 and 2008.

Project Geology and Mineralisation Model

The Wapolu and Gameta geology consists of prominent, domed, basement highs of crystalline, medium- to high-grade metamorphic rocks ("metamorphic core complexes"), overlain by obducted slivers of sea floor ultramafic rocks. Separating the basement rocks from the ultramafics is a shallow dipping (~30°- 40°) detachment fault zone (DFZ) or decollement structure (Figure 2).

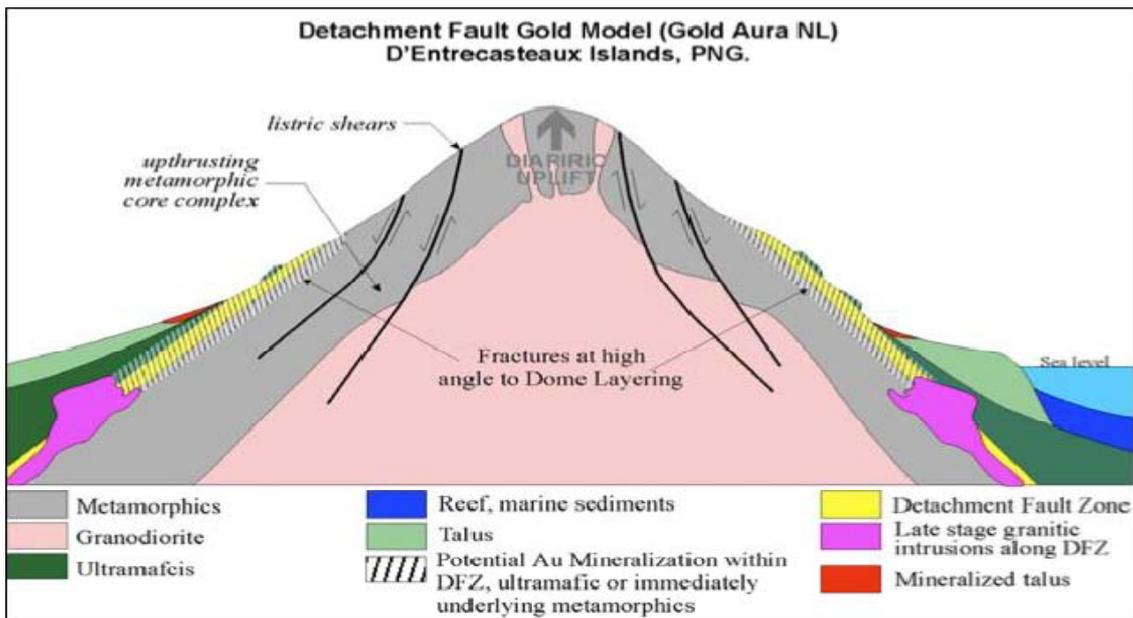


Figure 1: Mineralisation model

Gold mineralization is concentrated in shallow-dipping deposits within or immediately adjacent to the DFZ which bounds the metamorphic core complexes, in a general setting analogous to such deposits as Misima, PNG (pre-mining reserve 55.9Mt at 1.38g/t Au) and Mesquite (47.8Mt at 1.47g/t Au) and Picacho in California. The gold occurs in association with fine sulphides as disseminations and in epithermal quartz veins in lensoid zones parallel to the DFZ.

Historic Mining at Wapolu

On the strength of a feasibility study completed in 1993 using the 1992 Macmin/Union resource model a mining operation was initiated at Wapolu in 1995. The operation had a specified mining reserve of 2.0 Mt at 2.4 g/t Au and was planned to process 500,000 tonnes per annum for a 4 year mine life. The processing plant was a typical cyanide operation combining CIP (200,000tpa) and vat leach (300,000tpa) with overall gold recoveries predicted to be approximately 80%.

The operation was commissioned in December 1995 but ceased midway through 1997. An independent review of the operation towards the end of 1996 stated that for high grade ore the mined tonnes were 25% less than expected although grade was about 22% higher, whilst for low grade ore the mined tonnes were 43% less than expected at 6% less grade. A review of gold production showed that a combination of lower processing throughput and lower recovery resulted in a net gold recovery that was 91% less than predicted for the vat leach circuit and 35% less than predicted for the CIP circuit. The bouldery and clayey nature of the gold-bearing colluvium caused problems for the mill, which was not designed to handle material of this type, and this contributed to its poor performance.

A final report produced at the end of operations showed that remaining "reserves" based on the resource model used for the feasibility predicted 0.92 Mt at 2.23 g/t Au compared to an independent estimate of remaining "reserves" of only 0.70 Mt at 1.98 g/t Au; this represents a potential 32% shortfall in contained gold remaining at Wapolu. At the same time, re-evaluation of the geology indicated a greater extent and depth of colluvium in some areas than was initially thought and also that there is considerable in-situ mineralisation beneath the colluvium which is only poorly tested, giving the area good exploration potential which will be followed up by the Company.

Inferred Resource at Gameta

In 2010 the Company announced its first resource estimate reported in accordance with the JORC Code for the Gameta deposit, an Inferred Resource of 5.1 million tonnes at 1.8 g/t for 295,000 ounces of gold at a cut-off grade of 1.0 g/t gold. H & S applied Multiple Indicator Kriging (MIK) incorporating a variance adjustment to reflect open pit mining selectivity. The estimates extend over a strike length of approximately 1.4 kilometres and extend to approximately 180 metres below surface (but mostly much shallower).

The Company supplied the drill-hole database for the deposit, which Hellman & Schofield Pty Limited (H&S) accepted in good faith as an accurate, reliable and complete representation of the available data. H&S performed only very limited validation of the data and did not detect any obvious problems likely to impact significantly on the resource estimates. The quality control procedures for assay and sampling used by the Company were not investigated by H&S, however the drill-hole database for Gameta was considered satisfactory for resource estimation purposes.

The estimates are based on two metre down-hole composited gold grades from reverse circulation (RC) and diamond drilling completed by the Company. Although there is insufficient data for the results to be conclusive, initial comparisons between the gold grades from older RC drilling and newer diamond data suggest that the RC results may be biased high by around 20%, and for the current study, the gold grades from RC holes were modified accordingly. The validity of this factoring is uncertain, and additional sampling is required to investigate the reliability of RC results. A bulk density of 2.5t/bcm was applied to the estimates on the basis of 95 immersion density measurements performed on samples of diamond core.

A summary of the resource estimate at Gameta by Hellman & Schofield Pty Limited is provided in Table 1 below:

Cut off Au g/t	Tonnes (Million)	Grade Au g/t	Ounces (Thousand)
0.2	24	0.8	617
0.3	19	0.9	550
0.4	16	1.0	514
0.5	13	1.1	460
0.6	10	1.3	418
0.7	8.6	1.4	387
0.8	7.2	1.5	347
0.9	6.0	1.7	328
1.0	5.1	1.8	295

Table 1 Gameta Inferred Resource estimate

Possible Mining and Treatment at the Fergusson Project

Previous assessments by the Company of mining at Fergusson Island indicated that both the Wapolu and Gameta deposits could be mined by selective open cut mining techniques. Indications are that the mineralisation is relatively soft and will require paddock blasting to loosen the material sufficiently for loading and hauling by typical excavator and truck operation. The initial design for both deposits will be to maintain a strip ratio less than 4:1 for Gameta and 2:1 for Wapolu. Much of the overburden is partially consolidated colluvium interspersed with large boulders, some of which are gold bearing.

Because of the refractory nature of much of the ore at Gameta and Wapolu (fine gold locked entirely within fine-grained sulphide or silicate grains and so not accessible to cyaniding) the Company is now reviewing a treatment method not earlier considered (the Albion Process) to establish the suitability of the deposits to this new process, which relies on floatation followed by ultrafine grinding to expose the fine refractory gold.

Indications are that floatation followed by the Albion Process will involve lower processing, operating and capital costs than previously estimated in earlier assessments of the project. This together with the higher gold price of the present day is expected to have a major positive impact on the viability of mining the Fergusson Island gold deposits. In addition, at the present time the potential to generate geothermal power from the Lamalele thermal field on southeast Fergusson Island is being assessed by the Papua New Guinea government, presenting a possibility of reduced power costs for development projects on the Island. This would impact favourably on any feasibility to develop the Wapolu and Gameta deposits as power costs are the most significant operating cost in mining and processing operations.

The Company will be assessing the potential application of the Albion Process to its Fergusson Island project and plans to generate fresh ore for further floatation testing followed by Albion Process testing in Brisbane.