

12th July 2016

Australian Securities Exchange

Stoping commenced within central high grade block at the HGZ Gold project

Gold production and gold grade expected to increase

Crater Gold Mining Limited (ASX: **CGN**, or the **Company**) is pleased to announce that stoping has commenced within the central high grade gold block at the High Grade Zone (HGZ) Project at Crater Mountain, Papua New Guinea (PNG).

The Company is expecting that the mining rate and the recovered gold grade will increase with stoping now underway.

Development over the past year has delineated the HGZ from the 1960m level original adit up to surface at the 1990m level. The mining focus has now switched from development and exploration to stoping of the high grade gold block from the 1960m level up.

Recent gold production has been predominantly from development material on 1980m level including material beyond the limits of the central high grade block to confirm the interpretation of the zone and to ensure that high grade gold would not be left behind when stoping began.

The Company's PNG General Manager Richard Johnson stated:

"Our aspirational objective of becoming a profitable, low cost, high margin gold producer is nearing fruition.

A third hammer mill has been installed which will allow continuous operation of two mills, substantially increasing throughput going forward.

Our focus remains on ramping up production to full capacity as mining focuses on the gold rich structure within the 'central high grade' block of the HGZ."

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:

Mr Russ Parker
Managing Director
+852 94 573 573

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).