Crater Gold Mining Limited   ABN 75 067 519 779

Financial Report

For the half-year ended

31 December 2016

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Company Focus – High Grade Zone Mine Project ("HGZ"), Crater Mountain, Papua New Guinea

The half year ending 31 December 2016 was one of progress but also challenge for Crater Gold Mining Limited ("CGN" or the "Company") and its subsidiary companies ("the Group").

The focus for the Company switched from development and exploration to stoping of the high grade gold block from the 1960m level up to surface at the HGZ project. The Company expected that mining and the recovered gold grade would increase with stoping underway. However artisanal mining was frequently encountered between the 1960 level and the surface thus diluting expected gold production. As a consequence, revenue received during the half was lower than anticipated at AUD226k.

The main focus for the company then became the establishment of a 2nd adit at the 1930 level, 30m below the existing 1960 level adit. The area between the 1930 level and the 1960 level has not been exploited at all by artisanal miners, unlike the area between 1960 level and surface.

The Company expects revenue to increase substantially when mining from the 2nd adit commences.

During the half year, the Company announced a maiden inferred resource estimate reported in accordance with JORC guidelines for the HGZ project of 44,500 tonnes at 11.9 g/t for 17,100 ounces of gold (cut- off grade of 5 g/t Au).

As part of the resource definition, mapping of the HGZ showed three distinct major high-grade gold veins. The three veins are closely linked and are estimated to carry 11,800 ounces of gold. The Company has refined the mining method for maximum gold extraction from the higher cut-off grade of 7.5g/t Au implementing a more focussed mining plan. The maiden resource paves the way for increased production with minimal additional capital expenditure or development time. This will allow more efficient, targeted gold production. The mining plan will be implemented with the completion of the 1930 Level adit.

The HGZ is an area of recent artisanal gold mining in which an estimated 15,000 ounces of gold was produced by local miners largely from shallow underground workings and simple gravity processing between 2005 and early 2013.

The immediate objective of the Company is ongoing cash flow to establish the Company as a profitable gold producer. We anticipate that the HGZ mine will generate strong cashflow, which will fund further expansion at the HGZ mine and enable further drilling of the Mixing Zone ("MZ") project and exploration at the Company's other assets in PNG and Queensland, Australia.

While the current focus remains on generating cashflow from the HGZ mine, the ultimate focus is on the Mixing Zone project, where there remains potential to increase the current JORC compliant resource of 24Mt at 1.0 g/t Au for 790,000 ounces (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).

The MZ project lies entirely within the Company's ML 510. This offers scope for fast tracking the development of the MZ project.

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 more than 14,500 metres of diamond drilling to date, the majority focussed on the Nevera prospect, which hosts the HGZ mine and the MZ project.

High Grade Zone Mine Project ("HGZ"), Crater Mountain, Papua New Guinea

Key Points

- **Gold production**
- **Second adit commenced**
- **Maiden JORC resource**

Gold production

As the focus in the half year became the establishment of the 2nd adit, mining was suspended at the 1960 level and consequently revenue received was lower than expected at AUD226k. The Company expects revenue to increase substantially when mining from the 2nd adit commences.

The mining priority at the HGZ is the intersection of N-S trending structures. Mineralisation is confined to numerous narrow highly oxidised veins trending approximately north-south with several cross cutting east west structures. 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).

Second adit development

After stoping commenced in the area between the 1960 level and surface, artisanal mining was frequently encountered thus diluting the expected gold production. Consequently, the Company announced the fast tracking of development of a second Adit at the 1930 level, 30m below the existing 1960 level. The area between 1930 level and 1960 level has not been mined by artisanal miners, unlike the area between 1960 level and surface.

The Company is confident that the addition of the Second Adit will result in higher gold production. The adit will access the depth continuity of the central block of the high grade zone as demonstrated by the previous drilling program undertaken by the Company. Our focus remains on ramping up production to full capacity

Enhancements to the milling circuit were undertaken, involving the installation of a vibrating screen and the placement of the 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 HGZ is high grade high-sulphidation epithermal quartz-pyrite-gold mineralisation, extending from surface to possibly several hundred metres depth (possibly in excess of 500m); local artisanal miners produced an estimated 15,000 ounces from a small area of shallow workings in the base of a mineralised spur from 2005 to 2011.

Maiden high grade JORC gold resource

- **Maiden high grade JORC gold resource**
- **Potential to increase gold resource substantially**
- **3 major gold veins identified contain most the gold**
- **Drilling programme to target extensions of identified high grade veins**

During the half year, the Company announced a maiden inferred resource estimate reported in accordance with JORC guidelines for its HGZ gold mining project of 44,500 tonnes at 11.9 g/t for 17,100 ounces of gold (cut- off grade of 5 g/t Au).

The maiden resource paves the way for increased production with minimal additional capital expenditure or development time.

The initial Inferred Resource at HGZ comprises:

Resource Category	Tonnes	Grade (Au g/t)	Gold Oz
Inferred - cut-off of 5g/t au	44,500	11.9	17,100
Within this resource at a higher cut–off of			
> 7.5g/t Au	23,500	17.2	13,000

As part of the resource definition, mapping of the HGZ showed three distinct major high-grade gold veins (Figure 1). The three veins are closely linked and are estimated to carry 11,800 ounces of gold. The Company has refined the mining method for maximum gold extraction from the higher cut-off grade of 7.5g/t Au implementing a more focussed mining plan. This will allow more efficient, targeted gold production. The mining plan will be implemented with the completion of the 1930 Level via a new adit which is currently being established.

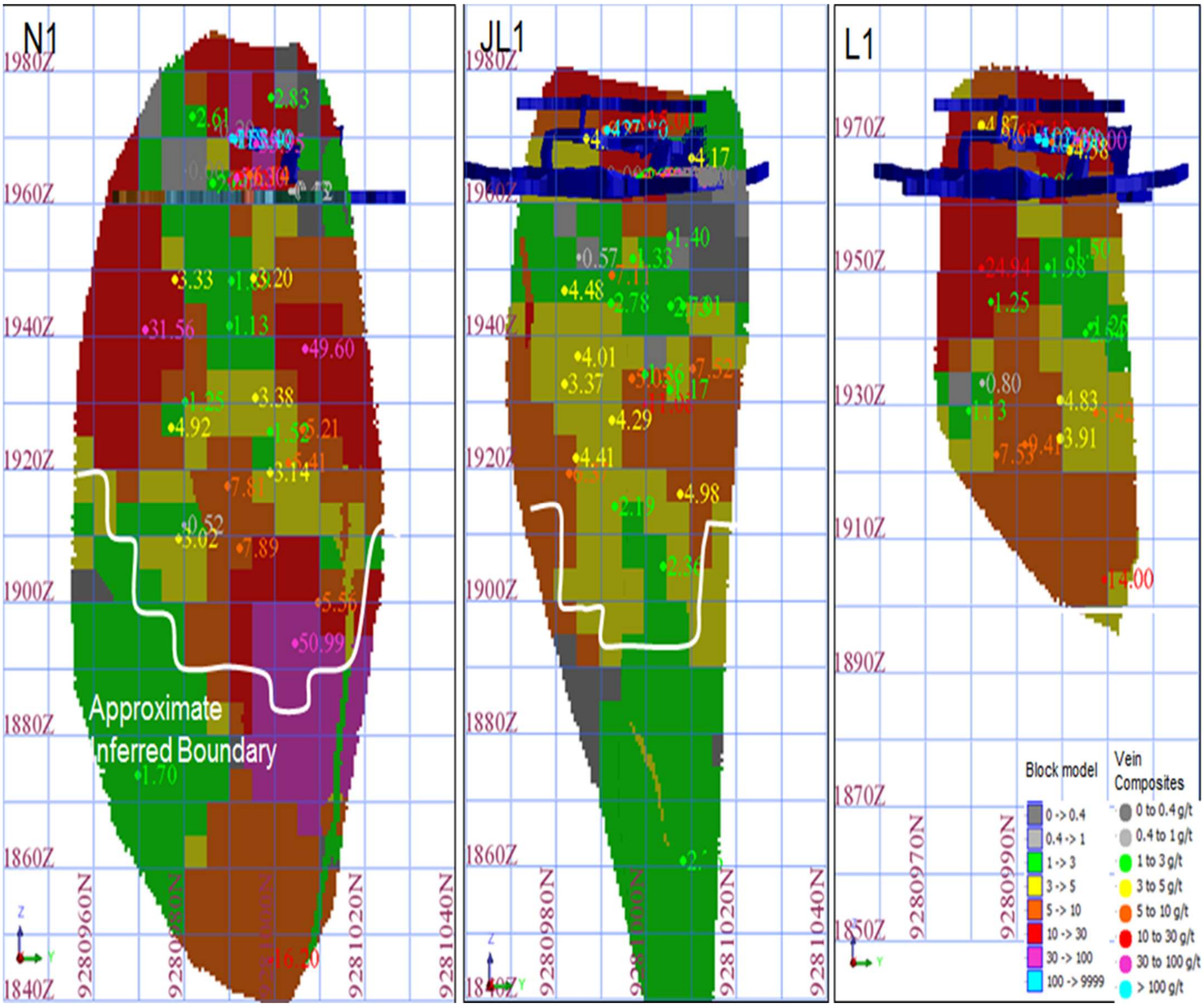

Figure 1 - N-S Composite Sections: The 3 identified high grade veins N1, JL1 and L1

The maiden resource confirms the potential for profitable gold mining from the HGZ project. The report also provided the Company with more detail of the high-grade veins enabling the targeting of more selective mining of the 3 main high grade veins. Whilst the initial JORC resource may seem modest, the gold is accessible and all infrastructure is in place, allowing the Company to move quickly to mining of the 3 veins as well as other cross cutting structures.

The maiden resource estimate only considers the HGZ as identified to date. Development of the 1930 Level will pass through approximately 100m of previously unexplored ground adjacent to the high-grade zone. This area is considered prospective for finding additional gold bearing structures.

The potential to increase the resource is also considered substantial given that drilling to date has mostly been confined to a maximum depth of 75m from surface (Figure 2). However, there is also evidence from drilling that gold is encountered at least to a depth of128m from surface (NEV022). The Company plans to commence in-fill drilling from the 1930 level.

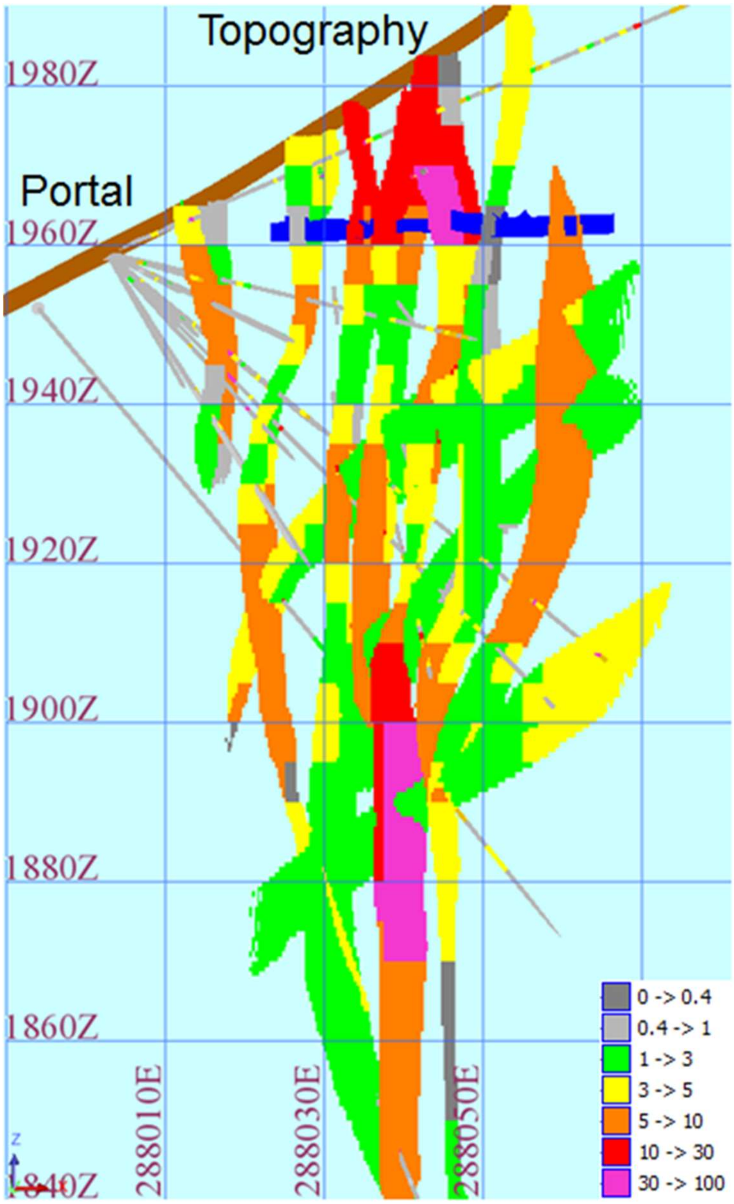

Figure 2 - Mineralised Zones at Crater Mountain Deposit. (9281000 mN)

The resource estimate was completed by Ian Taylor, (AusIMM(CP)) of Mining Associates. Mr Taylor stated in his report to the Company that there is an opportunity to expand the resource along strike and laterally with further drilling and mapping and to improve the confidence of the mineral resources internally by infill drilling and development. Lateral drilling to extend resources should be targeted based on existing intersections and understanding of cross structures and the steeply plunging shoots from the newly developed working pad at the 1930 level. Infill drilling should confirm the strike continuity of vein systems particularly following up intersections identified in the deep drill hole NEV022. Infill drilling and further channel sampling is required to increase level of the resource categories.

An opportunity exists for deeper drilling targeting the high-grade shoots during development of the 1930 m RL adit. A drill cuddy should be cut at 9280980 mN and 287990mE (1934 mRL) to provide a suitable platform for 4 to 8 holes (Table 1 & Figure 3) targeting the extensions of identified high grade shoots, particularly veins N1 and L1.

Table 1: Proposed Drill Holes

Proposed Hole	Dip	Azimuth	Depth	Extension or Infill
P1	-6	60	85	E
P2	0	100	65	I
P3	15	110	70	E
P4	-36	60	90	E
P5	-42	65	90	E
P6	-48	70	85	I
P7	-48	85	80	I
P8	-44	100	70	I

A Long Section showing the outline of the block model, including unclassified targets and proposed targeted drill intercepts Figure 3.

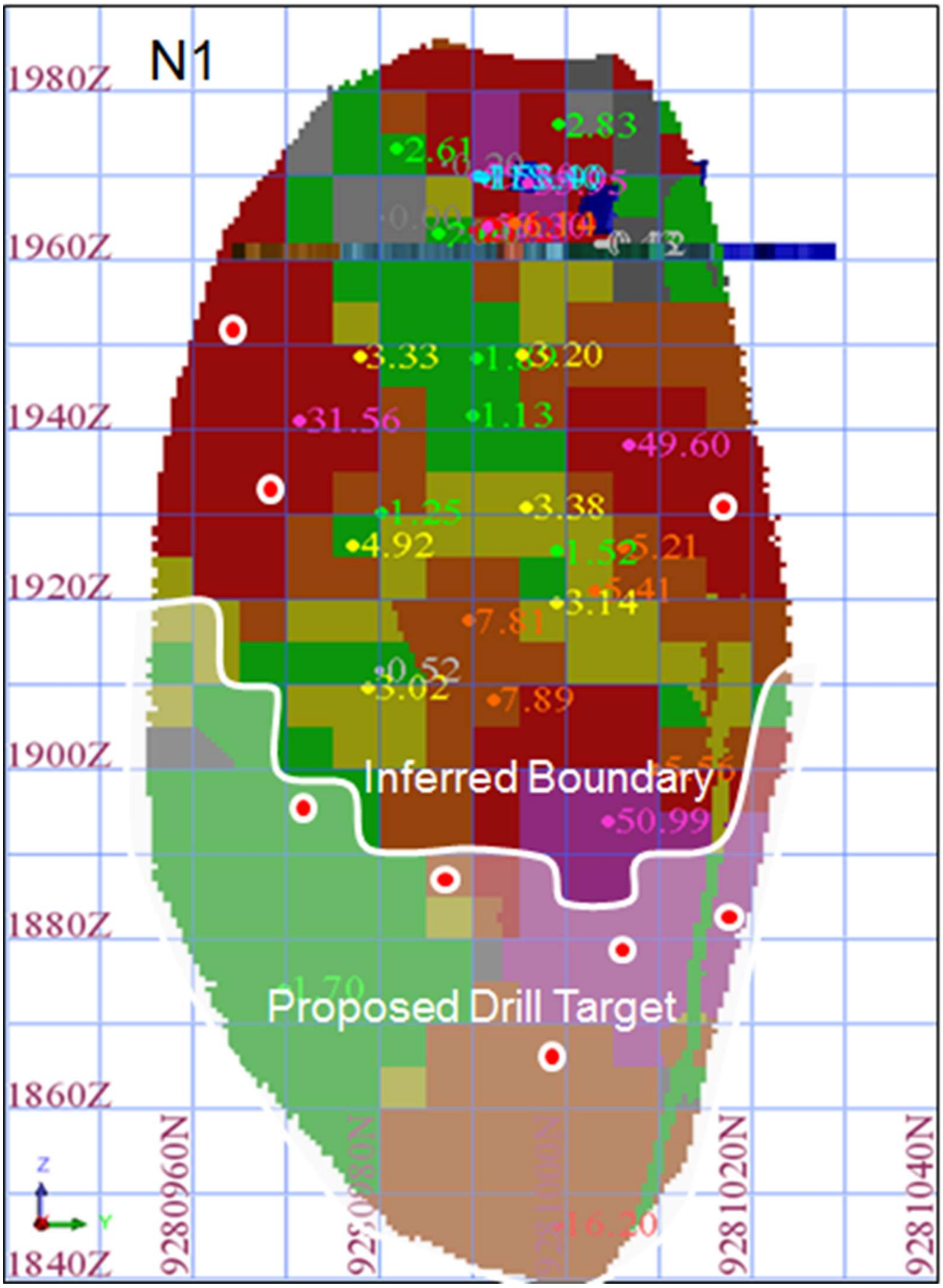

Figure 3 - Long Section View showing Proposed Drill Intercepts

HGZ independent technical review

Previously, following a site visit in mid-September 2013 by Mining Associates (MA) principal Mr Andrew Vigar, concluded that the target for the HGZ project based on selective underground mining may be stated as:

HGZ Target – 50 to 250 kt @ 13 to 30 g/t Au for 60 to 100k Oz of contained Au

MA stated "*It is likely that similar independent high grade gold deposits may be repeated at several places as splays off key structures over a potential area of at least 1400m by 700m.*"

MA did caution that the potential quantity and grade was conceptual in nature. MA was commissioned by the Company to delineate a target for the HGZ area.

In its report, MA stated that the HGZ Target was defined by a 100m radius circle centred on the area of artisanal workings. (Figure 4)

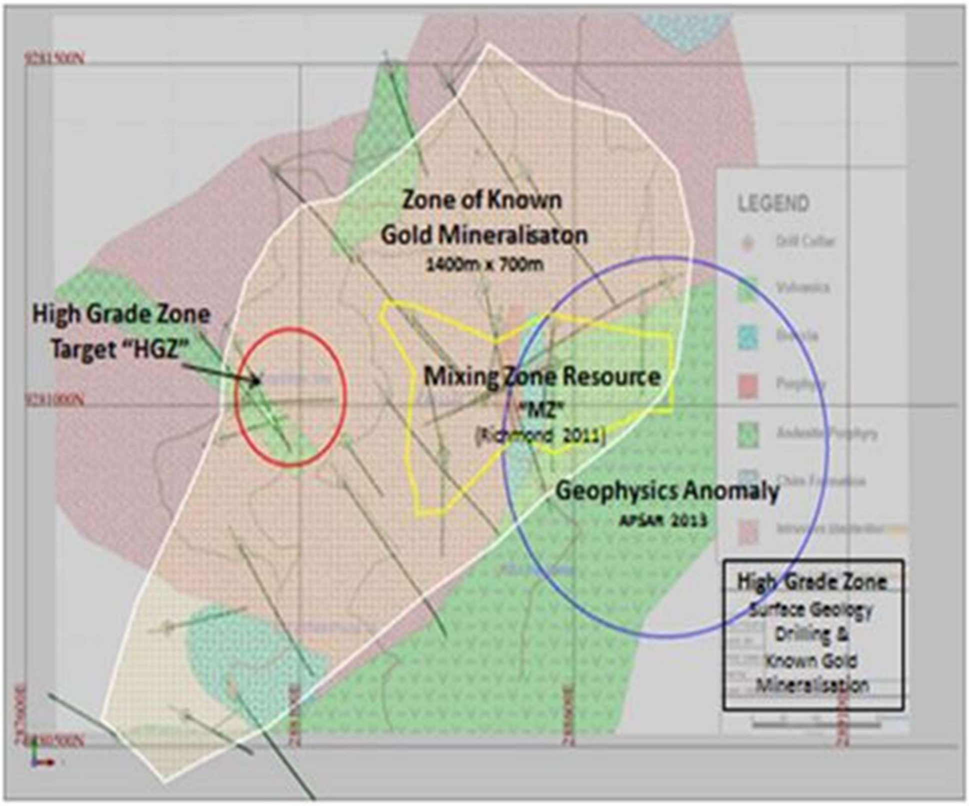

Figure 4 - High Grade Zone in relation to known mineralisation and the Mixing Zone resource

Mixing Zone Project (MZ)

- **Underground drive development to connect High Grade Zone (HGZ) and Mixing Zone (MZ) at Crater Mountain**
- **Mapping and sampling to provide fresh interpretation of Nevera Prospect containing HGZ and MZ projects**
- **Potential to further identify zones of high grade mineralisation within the MZ project**

The Company announced that it planned to resume exploration at the "Mixing Zone" project at Crater Mountain, with a view to carrying out diamond drilling in a broad 300m zone between the HGZ and the Mixing Zone. No previous drilling has been undertaken in this area. Generally difficult and extreme topography meant that it was not possible to place suitable drill platforms on surface during the previous drilling campaign by the Company ending in 2012.

Development at the HGZ gold mining project since 2013 at the 1960m Level now provides the infrastructure and underground access to be able to construct underground drill platforms.

This will require an extension of the existing underground HGZ drive for approximately 250m east placing it in the middle of the "Mixing Zone" and passing through this zone with no geological data.

Immediate benefits of this development will arise from mapping and sampling fresh rock exposures and hence fresh interpretation of controls to mineralisation. It will also provide an accurate cross section of the hitherto unmapped or drilled zone. Interpretation will allow formative decisions to be made regarding future drilling and the potential to identify the higher grade gold mineralisation within the MZ project that could be exploited concurrently with HGZ.

The MZ project lies entirely within the Company's ML 510. This offers scope for fast tracking the development of the MZ project.

Interpretation will allow formative decisions to be made regarding future drilling and the potential to further identify HGZ mineralisation to the east and to further identify the higher grade gold mineralisation within the MZ project, which includes 9.4Mt at 1.46 g/t using a 1.0 g/t Au cut-off for 440,000 ozs. There remains potential to increase this resource and the total 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 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).

Future strategy

The Company's strategy at Crater Mountain is to become a profitable gold producer at the HGZ mine. Increased gold production when production from the 2nd adit comes on stream is expected to generate a positive cash flow for the Company enabling it to become self-sustaining and to enable it to further develop the HGZ project and the Mixing Zone project in PNG and develop its Croydon Graphite and Polymetallic projects in Queensland, Australia.

Corporate

Richard Johnson appointed as Director

The Company announced the appointment of Mr Richard Johnson as a Director of the Company.

Mr Johnson, who acts as the Company's PNG General Manager, is a mining engineer with extensive experience managing projects in many regions, including PNG. Between 2002 and 2005, Richard was responsible for turning around DRDGold's high grade underground Tolukuma Gold Mine in PNG's Central Province into a highly profitable operation. He has also held senior executive and Director positions in several other resources companies in the region, including Allied Gold and DRDGold.

Richard has been an integral part of the Crater team for several years now; it is a pleasure to welcome him to the Board.

Rights Issue

The Company undertook a non-renounceable pro-rata rights issue of one share for every eight shares held at $0.07 (7 cents) per share. Total funds raised before costs were $2,076,423.

Annual General Meeting

All resolutions at the Company's 2016 Annual General Meeting on 30 November 2016 were passed.

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.

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 2016.

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)
R D Parker (Managing Director)
T M Fermanis (Non-executive Deputy Chairman)
R Johnson (Technical Director, appointed 19 July 2016)
L K K Lee (Finance Director)
D T Y Sun (Non-executive Director)

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. Further details of the Group's activities are included in the Review of Operation on pages 3-10 of this report.

Review of operations

The Group incurred a loss for the half-year of $8,690,350 (2015: $1,464,106) after revenue of $225,576 (2015: $117,848) and financing expense, including equity settled expenses, of $332,922 (2015: 309,188).

Included in the loss for the half year is an impairment in value of $6,962,280 of Mining Assets. As noted in the Review of Operations, the 1960 level has not produced the quantities of gold originally expected and the Board felt it prudent to fully impair expenditure incurred to date in the development of the 1960 level adit.

The Group held $171,335 in cash at the end of the half-year (June 2016: $95,239) after making payments of $2,278,081 (2015: $3,480,124) for operating and exploration activities and $26,613 (2015: $71,307) for the purchase of fixed assets.

A detailed Review of Operations is set out on pages 3 to 10 preceding the Directors' Report.

Performance of the HGZ Mine

Crater commenced development of the HGZ Mine in 2014. Operations to date, although technically successful on some measures, have consistently failed to deliver acceptable financial outcomes. The operation is proving to have higher operating costs than first anticipated and a range of in-country operational issues, such as greater (adverse) impact of artisanal workings and lower than anticipated gold recoveries, have affected the operation.

As a result, the Company has progressively expenses all expenditure related to mining at the HGZ in a progressive manner. The write-off of expenditure on development and mining at the 1960 level at the HGZ Mine referred to earlier is a continuation of that approach.

Letter of Support for the Company

The Company has relied heavily on ongoing funding and support from Freefire Technology Limited, an entity associated with its Chairman, Mr Sam Chan. On 8 March 2017 the Company received a letter of support from Freefire. The letter indicates that Freefire has reviewed the Company's projected cashflows for the period to March 2018 and, on certain assumptions, intends to support the Company by way of further loans to cover any cash shortfall over the next 12 months. This includes a commitment by Freefire to convert its $2.5 million of the Company's $3.4 million in convertible notes to unsecured loans. The terms of this arrangement will be negotiated prior to the end of the June 2017 quarter.

Auditor's Disclaimer of Conclusion

The Auditor's Report commencing on page 25 contains a Disclaimer of Conclusion. This disclaimer results from the Company not providing to the Auditors sufficient information to support carrying values of Exploration and Evaluation Assets, and Plant and Equipment. The Company is in the process of commissioning an independent valuation of these assets to underpin its deliberations on the appropriate valuation of assets moving forward. This valuation process is anticipated to be completed prior to 30 June 2017 and its outcomes will be brought to bear on the Directors assessment of asset values for the purposes of the Company's 30 June 2017 financial statements. The Company may also consider re-issuing the Half Year report for 31 December 2016.

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 13 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

R D Parker
Managing Director

T M Fermanis
Deputy Chairman

Sydney

16 March 2017

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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 2016, 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.

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 16 March 2017

Statement of Profit and Loss and Other Comprehensive Income

For the Half Year ended 31 December 2016

	Notes	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Continuing operations			
Revenue		225,576	117,848
Cost of sales		(737,470)	-
Gross profit / (loss) from gold production		(511,894)	117,848
Profit / (loss) on disposal of fixed assets		7,273	(1,339)
Interest income		326	3,106
Gross income / (loss) from continuing activities		**(504,295)**	**119,615**
Expenses			
Administration expense	4	(695,575)	(792,011)
Corporate compliance expense		(72,529)	(91,779)
Depreciation expense		(102,042)	(47,601)
Exploration & evaluation costs written off	5	(20,707)	(343,142)
Financing expense		(332,922)	(309,188)
Impairment of Mining Asset		(6,962,280)	-
Loss before income tax expenses from continuing operations		**(8,690,350)**	**(1,464,106)**
Income tax expense		-	-
Loss after income tax expense for the half-year		**(8,690,350)**	**(1,464,106)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		396,932	(1,268,966)
Total comprehensive income for the half-year, net of tax		**(8,293,418)**	**(2,733,072)**
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic and diluted loss - cents per share		(3.34)	(0.79)

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 2016

	Notes	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
ASSETS			
Current assets			
Cash and cash equivalents		171,335	95,239
Trade and other receivables		299,158	203,666
Total current assets		**470,493**	**298,905**
Non-current assets			
Other financial assets		69,522	68,581
Exploration and evaluation	5	24,323,657	22,664,481
Mining assets	6	-	7,105,002
Plant and equipment	7	824,626	916,534
Total non-current assets		**25,217,805**	**30,754,598**
Total assets		**25,688,298**	**31,053,503**
LIABILITIES			
Current liabilities			
Trade and other payables		2,353,404	2,217,595
Related party payables		1,010,236	897,070
Interest bearing liabilities	8	5,102,359	1,306,415
Total current liabilities		**8,465,999**	**4,421,080**
Non-current liabilities			
Interest bearing liabilities	**9**	-	3,177,632
Total non-current liabilities		**-**	**3,177,632**
Total Liabilities		**8,465,999**	**7,598,712**
Net Assets		**17,222,299**	**23,454,791**
EQUITY			
Contributed equity	10	61,034,561	59,089,123
Convertible note reserve		340,507	340,507
Reserves		787,220	274,800
Accumulated losses		(44,939,989)	(36,249,639)
Total Equity		**17,222,299**	**23,454,791**

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

Statement of Changes in Equity

As at 31 December 2016

	Notes	Contributed equity $	Convertible note reserve $	Reserves $	Accumulated losses $	Total $
Consolidated						
Balance at 1 July 2016		**59,089,123**	**340,507**	**274,800**	**(36,249,639)**	**23,454,791**
Movement in share based payment reserve		-	-	115,488	-	**115,488**
Issue of share capital		2,106,423	-	-	-	**2,106,423**
Transaction costs		(160,985)	-	-	-	**(160,985)**
Transactions with owners		**1,945,438**	**-**	**115,488**	**-**	**2,060,926**
Loss after tax		-	-	-	(8,690,350)	**(8,690,350)**
Other comprehensive income						
Exchange differences on translating foreign operations		-	-	396,932	-	**396,932**
Total comprehensive income for the period		**-**	**-**	**396,932**	**(8,690,350)**	**(8,293,418)**
Balance at 31 December 2016		**61,034,561**	**340,507**	**787,220**	**(44,939,989)**	**17,222,299**
Consolidated						
Balance at 1 July 2015		**53,724,173**	**340,507**	**3,407,059**	**(25,363,050)**	**32,108,689**
Movement in share based payment reserve		-	-	108,711	-	**108,711**
Issue of convertible notes		4,316,117	-	-	-	**4,316,117**
Transaction costs		(150,281)	-	-	-	**(150,281)**
Transactions with owners		**4,165,836**	**-**	**108,711**	**-**	**4,274,547**
Loss after tax		-	-	-	(1,464,106)	**(1,464,106)**
Other comprehensive income						
Exchange differences on translating foreign operations		-	-	(1,268,966)	-	**(1,268,966)**
Total comprehensive income for the half-year		-	**-**	**(1,268,966)**	**(1,464,106)**	**(2,733,072)**
Balance at 31 December 2015		**57,890,009**	**340,507**	**2,246,804**	**(26,827,156)**	**33,650,164**

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 2016

	Notes	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Cash flows from operating activities			
Receipts from customers		225,576	117,848
Payments to suppliers and employees		(1,227,310)	(982,694)
Interest received		326	3,106
Interest paid		(218,195)	(212,698)
Net cash used in operating activities		**(1,219,603)**	**(1,074,438)**
Cash flows from investing activities			
Purchases of property plant and equipment		(26,613)	(71,307)
Proceeds from sale of plant and equipment		7,273	-
Payments for exploration and evaluation		(1,064,810)	(1,484,767)
Payments for mining assets		-	(915,805)
Payments for security deposit		(941)	(5,114)
Net cash used in investing activities		**(1,085,091)**	**(2,476,993)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares and options		2,076,423	4,289,867
Share issue costs		(160,985)	(150,281)
Proceeds from borrowing		2,122,463	1,161,844
Repayment of borrowing		(1,618,878)	(2,008,867)
Net cash provided by financing activities		**2,419,023**	**3,292,563**
Net (decrease) / increase in cash held		**114,329**	**(258,868)**
Cash at the beginning of the half-year		95,239	501,025
Effects of foreign exchange movements on cash transactions and balances		(38,233)	(8,024)
Cash at the end of the half-year		**171,335**	**220,603**

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

1. Basis of preparation

These financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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.

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.

2. Going concern

These financial statements are prepared on a going concern basis. The Group has incurred a net loss after tax of $8,690,350 (2015: $1,464,106) for the half-year ended 31 December 2016 with total cash outflows from operating and investing activities of $2,304,694 (2015: $3,551,431). As at 31 December 2016, the Group had net current liabilities of $7,995,506 (2015: net current liabilities $2,181,827) including cash on hand of $171,335 (2015: $220,603).

The above matters give rise to material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

Notwithstanding the above, the Directors have prepared the half-year financial statements on a going concern basis based on the following key factors:

a) The Group's key area of expenditure is the Crater Mountain Project in Papua New Guinea. The Group was granted Mining Lease ML 510 in November 2014 for the High Grade Zone project ("HGZ" project) at Crater Mountain. Whilst production is currently still low, the Group anticipates that there will be more significant production output in the near future generating positive cash flows.

b) 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. Management have received a letter of support from Freefire stating that they intend to support the Group by way of further loans to cover any cash shortfall in the next 12 months should the need for such funding arise to enable the Group to meet its liabilities as and when they fall due.

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.

3. Operating Segments

	Croydon $	Fergusson Island $	Crater Mountain $	Intersegment eliminations / Australia $	Consolidated $
Half-year to 31 December 2016					
Gold sales revenue	-	-	225,576	-	**225,576**
Cost of sales	-	-	(737,470)	-	**(737,470)**
Other revenue	-	-	-	326	**326**
Profit on disposal of assets	-	-	-	7,273	**7,273**
Assets written downs	-	-	(20,707)	-	**(20,707)**
Assets impaired	-	-	(6,981,660)	-	**(6,981,660)**
Other expenses	-	-	(110,073)	(1,073,615)	**(1,183,688)**
Segment profit (loss)	-	-	(7,624,334)	(1,066,016)	**(8,690,350)**
Segment assets	980,408	-	24,371,357	336,533	**25,688,298**
Segment liabilities	-	-	41,656,639	(33,190,640)	**8,465,999**
Half-year to 31 December 2015					
Gold sales revenue	-	-	117,848	-	**117,848**
Other revenue	-	-	-	3,106	**3,106**
Assets written downs	(343,142)	-	-	-	**(343,142)**
Other expenses	-	-	(1,506,107)	264,189	**(1,241,918)**
Segment profit (loss)	(343,142)	-	(1,388,259)	267,295	**(1,464,106)**
Segment assets	3,881,387	310,787	33,178,161	1,961,559	**39,331,894**
Segment liabilities	-	-	36,082,123	(30,400,393)	**5,681,730**

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 Wapolu and Gameta on Fergusson Island, in Milne Bay province, PNG.

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
4. Administration expenses		
Employee benefits expense	16,978	32,197
Employee Share Option Plan [1]	115,488	108,711
General administration expenses	563,109	651,103
	695,575	**792,011**

[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 2016.

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
5. Non-Current Assets - Exploration and evaluation		
At the beginning of the year		
Cost	29,849,596	31,770,333
Provision for impairment	(7,185,115)	(989,173)
Net book value	**22,664,481**	**30,781,160**
Opening net book value	22,664,481	30,781,160
Expenditure capitalised	1,117,206	2,882,549
Expenditure reclassified to Mining assets	-	-
Exploration costs written off	-	(2,333,494)
Impairment of asset	-	(6,195,942)
Effect of movement in exchange rates	541,970	(2,469,792)
Closing net book value	24,323,657	22,664,481
At the end of the year		
Cost	31,508,772	29,849,596
Provision for impairment	(7,185,115)	(7,185,115)
Net book value	**24,323,657**	**22,664,481**

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
6. Non-Current Assets – Mining assets		
Mining development – at cost	7,719,129	7,149,413
Accumulated amortisation	(7,719,129)	(44,411)
Net book value	**-**	**7,105,002**

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.

A reconciliation of the written down values at the beginning and end of the current and previous financial year is set out below.

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Balance at beginning of period	7,105,002	6,159,354
Additions	-	1,611,302
Amortisation expense	(19,380)	(44,411)
Impairment of asset	(6,962,280)	-
Effect of movement in exchange rates	(123,342)	(621,243)
Balance at end of period	-	**7,105,002**

7. Non-Current Assets - Plant and equipment

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Plant and equipment		
Cost	1,792,523	1,772,619
Accumulated depreciation	(967,897)	(856,085)
Net book value	**824,626**	**916,534**

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		
Balance at beginning of period	**916,534**	**1,061,048**
Additions	26,613	265,641
Disposals	-	(7,988)
Depreciation expense	(82,662)	(154,041)
Depreciation capitalised	(52,396)	(143,764)
Effect of movements in exchange rates	16,537	(104,362)
Balance at end of period	**824,626**	**916,534**

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
8. Current Liabilities – Interest bearing liabilities		
Convertible notes (refer note 9 below)	3,292,359	-
Industrial and Commercial Bank of China (Asia) Limited	800,000	-
Freefire Technology Limited loan	1,010,000	1,306,415
	5,102,359	**1,306,415**

The Company has secured a number of short-term, interest bearing loans totalling 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 8% per annum.
- The loans are repayable by the Company to Freefire upon written demand by Freefire.

On 25 August 2016 the Company announced that it had secured a loan facility of up to A$800,000 from the Industrial and Commercial Bank of China (Asia) Limited ("ICBC"). The ICBC loan facility is repayable on call and is guaranteed by interests associated with the Chairman, Mr Sam Chan.

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
9. Non-current Liabilities – Interest bearing liabilities		
Convertible notes	-	3,177,632
	-	**3,177,632**

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 $71,340 have been offset against the convertible notes payable liability.

The convertible notes are unsecured.

10. Contributed Equity

Equity Securities Issued	No. of ordinary shares	Total $
For the half-year ended 31 December 2016		
As at 1 July 2016	242,026,860	59,089,123
Shares issued	30,091,761	1,945,438
As at 31 December 2016	**272,118,621**	**61,034,561**
For the full year ended 30 June 2016		
As at 1 July 2015	171,825,400	53,724,173
Shares issued	70,201,460	5,364,950
As at 30 June 2016	**242,026,860**	**59,089,123**

Movements in Ordinary Share Capital

Date	Details	No. of shares	Value $
Half-year to 31 December 2016			
01-Jul-16	Balance 1 July - Ordinary Shares	242,026,860	59,089,123
22-Jul-16	Chancery Asset Management	428,571	30,000
13-Sep-16	Rights Issue	29,663,190	2,076,423
	Less: Transaction costs arising on share issues		(160,985)
		272,118,621	**61,034,561**
For the full year ended 30 June 2016			
01-Jul-15	Balance 1 July - Ordinary Shares	171,825,400	53,724,173
28-Sep-15	Placement to sophisticated investors	15,312,500	1,225,000
18-Nov-15	Placement to Freefire (as underwriter of above issue)	25,110,835	2,008,867
03-Dec-15	Placement to sophisticated investors	13,200,000	1,056,000
04-Dec-15	Sinton Spence	328,125	26,250
09-Mar-16	Placement to sophisticated investors	10,000,000	800,000
16-Mar-16	Placement to sophisticated investors	6,250,000	500,000
	Less: Transaction costs arising on share issues		(251,167)
		242,026,860	**59,089,123**

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 ongoing working capital requirements.

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 2016 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

R D Parker
Managing Director

Sydney

16 March 2017

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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 were engaged to review the accompanying half-year financial report of Crater Gold Mining Limited, which comprises the statement of financial position as at 31 December 2016, 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 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 conducting 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.

Because of the matters described in the basis for disclaimer of conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence as a basis for expressing a conclusion on the half-year financial report.

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.

Basis for Disclaimer of Conclusion

Included in the half year financial report of Crater Gold Mining Limited are $24,323,657 of capitalised Exploration and Evaluation expenses and $824,626 of Plant and Equipment. The Directors did not provide sufficient information to support the carrying value of the Consolidated Entity's Exploration and Evaluation assets and Plant and Equipment in accordance with the accounting standards.

As a result of the matters outlined above we were unable to determine whether any adjustments might have been found necessary in respect of the carrying values of Exploration and Evaluation assets or Plant and Equipment.

Disclaimer of conclusion

Due to the significance of the matters described in the basis for disclaimer of conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying half-year financial report. Accordingly, we do not express a conclusion on this financial report.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few

Partner

Sydney, 16 March 2017

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Directors:	S W S Chan (Non-executive Chairman) R D Parker (Managing Director) T M Fermanis (Non-executive Deputy Chairman) R L Johnson (Technical Director) L K K Lee (Finance Director) D T Y Sun (Non-executive Director)
Company Secretary:	H L Roberts
ABN:	75 067 519 779
Registered Office:	C/- BDO Level 11, 1 Margaret Street, Sydney NSW 2000 Australia Telephone: +61 2 9241 4224 Email: info@cratergold.com.au
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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