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Australian Securities Exchange

High grade gold bearing structures intersected - High Grade Zone ("HGZ") Underground exploration development

- Several gold-bearing structures intersected from approximately 25m depth in the adit
- Numerous occurrences of visible free gold observed in mineralised fractures with assays up to 109.0 g/t (3½ ozs/t) Au
- Bulk sampling has commenced on the most significant mineralised structures
- Drilling program to provide detailed coverage to around 120m depth
- Good potential for finding other deposits of high grade gold mineralisation

Crater Gold Mining Limited ("CGN" or "the Company") is pleased to advise that limited underground exploration development has intersected a number of narrow gold-bearing mineralised structures with grades up to 109.0 g/t (3½ ozs/t) Au similar to those previously mined from surface by local artisanal miners.

Commenting on the progress of the underground exploration, Richard Johnson, Mining Engineer and CGN PNG Country Manager said "*Exploration development has made excellent progress since the mid-August commencement. It is confirming the controls to mineralisation observed in the surface workings of artisanal miners providing our geologists with fresh exposures to map and sample. Bulk sampling of mineralised structures has commenced and will be followed by driving on selected veins. We have also mobilised an underground diamond drill rig to provide detailed coverage to around 120m depth.*"

Underground exploration development has now progressed more than 50m in the main adit and 2 cross cuts with combined 40m advance are being developed to provide underground diamond drill platforms. Development is being carried out using simple rock drill, blasting and hand mucking methods. It is envisaged that the main adit will advance a total of up to 250m with several sets of cross cuts for diamond drill platforms. This is planned to more than adequately cover the HGZ target delineated by independent geological consultant Andrew Vigar, of Mining Associates Pty Ltd ("MA").

HGZ mineralisation

The higher-grade mineralisation has been defined clearly in the surface artisanal workings. Underground development has now confirmed several zones over a broader width of approximately 25m containing narrow (up to 30cm) faults or structures with intense clay, limonite, hematite, pyrite alteration with quartz and coarse visible free gold. Geological observations and sampling results show increased concentrations of coarse visible free gold and elevated gold assays in association with increased hematite and quartz - refer to Figure 1.

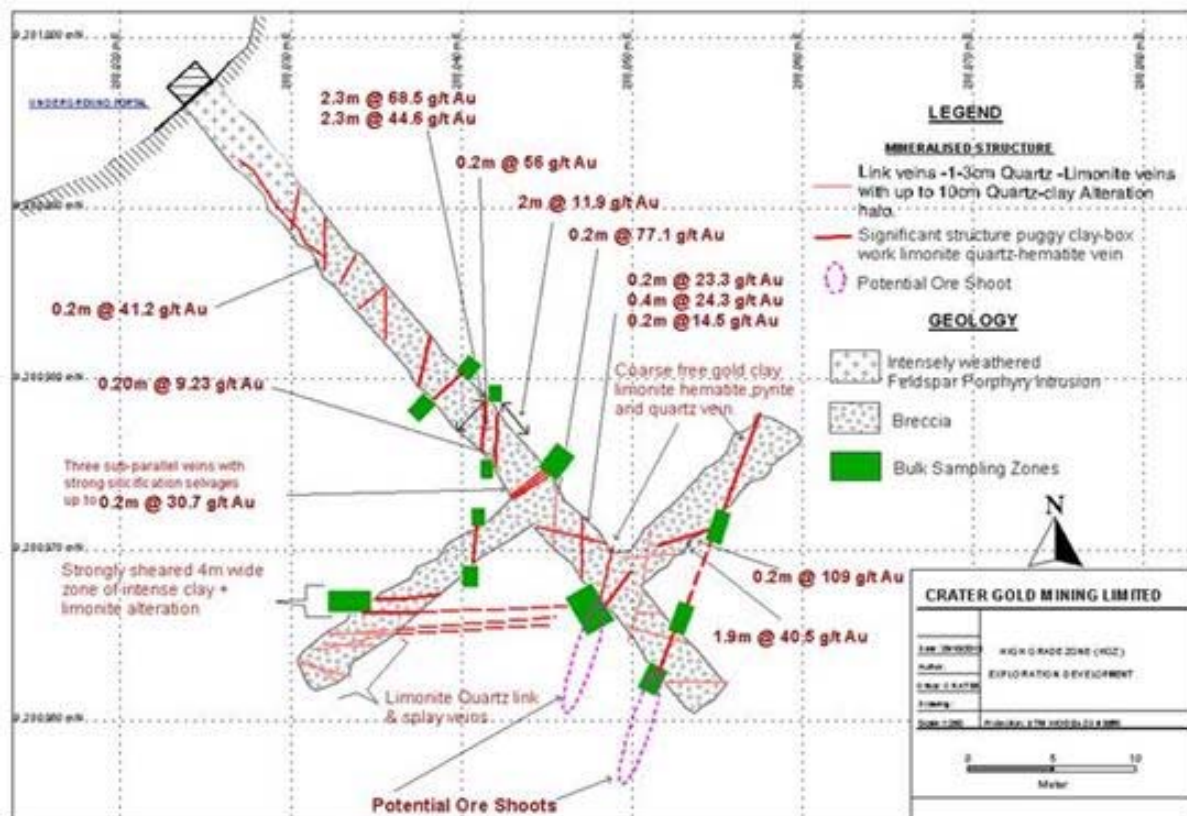


Figure 1 - Plan of underground exploration development with geological mapping & sampling results

This supports the opinion of MA that gold is concentrated in structurally controlled narrow fractures or mineralised zones which can be traced over tens of metres. These zones show intense acid leaching with high grades of gold without associated silver and base metals which could be due to a high-sulphidation event or due to generation of acids from breakdown of unstable sulphides near surface.

At the intersection of these fractures mineralisation and weathering is likely to result in increased concentrations of gold up to several ounces/tonne producing discrete high grade steeply dipping ore shoots at greater widths as displayed in the near surface artisanal workings. Limited surface drilling targeting the HGZ had previously indicated potential for high grade gold to a depth of at least 100m, NEV022 intersected 2.0m @ 98.0 g/t Au approximately 100m below the current adit development and artisanal workings. The current underground development is approximately 35 metres below the surface artisanal workings suggesting continuation of high grade gold mineralisation to depth. The adit sampling is underneath the earlier artisanal workings. Major veins mapped and sampled in the adit and crosscuts are likely to propagate upwards to the "lines" followed by the local miners. At least 10 high grade ore shoots were worked to a shallow depth by the local miners in producing their estimated 15,000 ounces from a considerably small volume of material.

HGZ adit and cross cut development

Commencing at approximately 25m from the adit portal development has encountered intensely altered volcanic breccias accompanied by a higher frequency of mineralised fractures. Between 25m and 45m in the adit three discrete zones have been identified with intense clay, limonite, hematite, pyrite alteration with quartz and coarse visible free gold. These zones trend approximately north - south to north east - south west. Refer Figure 1.

A further zone approximately 4m wide has been intersected in the SW Cross Cut trending roughly east - west. It is planned to commence a narrow drive development on the strongest NS structure to explore the projected confluence with the above east - west structure. It is considered there is a strong likelihood of encountering a discrete high grade ore shoot at this junction. Refer Figure 1.

Bulk sampling of these structures is underway where they pass through the sidewalls of the adit and cross cuts. Refer Figure 1

Diamond drilling

The Company is currently mobilising an underground diamond drill rig to provide close spaced drill coverage from drill platforms being excavated in the underground cross cuts. Drilling will further delineate the HGZ to a depth of approximately 100m below current development allowing a clear 3D model to be developed with the object of defining a resource estimate.

Potential for finding other areas of high grade gold mineralisation

There are a number of other localities around the Nevera Prospect (which covers an area at least 3.5 by 2.5km) which have potential for hosting high grade gold. These localities will be the focus of detailed surface follow up including possibly mechanical benching and perhaps shallow drilling with a man-portable rig to establish their prospectivity.

Local prospectors have reported widely separated areas other than the HGZ where gold has been recovered by dish prospecting; one of these areas is on the eastern side of the Prospect ridge and is presumed to be related to the low-sulphidation Mixing Zone style mineralisation, however it and the others have not yet been properly examined.

For further information contact:

Greg Starr
Managing Director
P +61 2 9241 4224

or visit the CGN website www.cratergold.com.au

Competent Person Statement

The information contained in this report relating to Exploration Results 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 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.