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Australian Securities Exchange

Gold mining recommences at HGZ gold mine, PNG

Crater Gold Mining Limited ("the Company") (ASX: CGN) announces the mining at its 100% owned High Grade Zone ("HGZ") mine at Crater Mountain, Papua New Guinea (PNG) is progressing.

Drive development has recommenced on three gold bearing veins within the HGZ delineated from previous underground development and diamond drilling carried out in 2014. The veins are being developed at a narrow width and currently without drill and blast to minimise dilution. Additional drives will be commenced before month end, increasing the number of headings being developed concurrently to seven thereby improving flexibility.

Vein material is extracted to be batch processed through existing plant comprising a hammer mill and centrifugal gravity concentrator that was used for earlier bulk sampling. Batch processing will provide continuous sampling and recovery data, apart from early gold production, and important controls for ongoing production planning.

Initial production of gravity concentrates produced will be smelted and sold in PNG. When full capacity gold mining is reached, the Company anticipates producing 10,000 ounces of gold in its first full year of operation, at an all in cash cost of below \$AUD 400 per ounce average over the Mining Lease term of 5 years, positioning the HGZ project as amongst the lowest cost producers.

As a high margin operation, HGZ will generate strong cashflows which will fund further development at the HGZ mine and exploration activities at the Company's other assets.



Figure 1 - Face preparation NV1 drive, one of the three veins currently being developed



Figure 2 - Hammer Mill & Centrifugal Gravity Concentrator



Figure 3 - Gold Concentrate from EV1 (East Vein 1) Break Away

While the current focus remains on the HGZ mine, there remains potential to increase the current JORC compliant resource of 24Mt at 1.0 g/t Au for 790,000 ounces at the nearby 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).

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.

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