7 June 2016

Australian Securities Exchange

Gold sales following plant upgrade at HGZ mine, PNG

- **Development material gold sales of $351,000**

- **Production ramp up progressing rapidly**

Crater Gold Mining Limited (ASX: CGN, or the Company) is pleased to announce its first gold sale since the installation and commissioning of its new custom-made gold processing plant at the High Grade Zone (HGZ) Project at Crater Mountain, Papua New Guinea (PNG).

The Company has received $351,000 from gold production. The processed material was largely sourced from stockpiled material derived from initial development work at the HGZ project. Gold recovered from the stockpile was from a combination of country rock and initial development along structural veins to delineate mineralised zones of higher gold tenor.

Production is expected to ramp up rapidly over the next few months as new material is sourced from the higher grade material of the central high grade gold block of the HGZ mine (see ASX release 10 February 2016 for details of the block). With the improved understanding of the geology and controls to mineralisation, processing material is now sourced entirely from the higher grade mineralised veins resulting in improved grades and recovery of gold.

The Company's PNG General Manager Richard Johnson stated:

> *"Our objective of becoming a profitable, low cost, high margin gold producer is nearing fruition, with the upgraded processing plant now up and running.*
>
> *We are excited to have generated our cashflow following the plant upgrade and, importantly, to observe that the new plant is working to expectations. A third hammer mill is currently being installed which will allow continuous operation of two mills, substantially increasing throughput going forward.*
>
> *Our focus remains on ramping up production to full capacity over the next three months, as mining focuses on the gold rich structure(s) within the 'central high grade' block of the HGZ."*

The new plant with high speed primary centrifugal concentrators as well as secondary shaking tables is more efficient than the previous test plant and it is expected that this will yield a satisfactory grade of gold.

Development above the 1960RL level has been opened up with 2 sublevels and a third underway, preparing blocks for regular production mining. This will increase both the rate of

mining and grade of material being mined. A second adit level at 1930RL is planned to commence to open up a 30m depth extension of the central high grade zone.

The remaining stockpile as well as tailings arising from the test plant operation will be processed through the updated plant in due course.

Figure 1 - Hammer mills, centrifugal concentrators and shaking tables

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 ounces[1] 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:

Russ Parker
Email: info@cratergold.com.au

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[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).
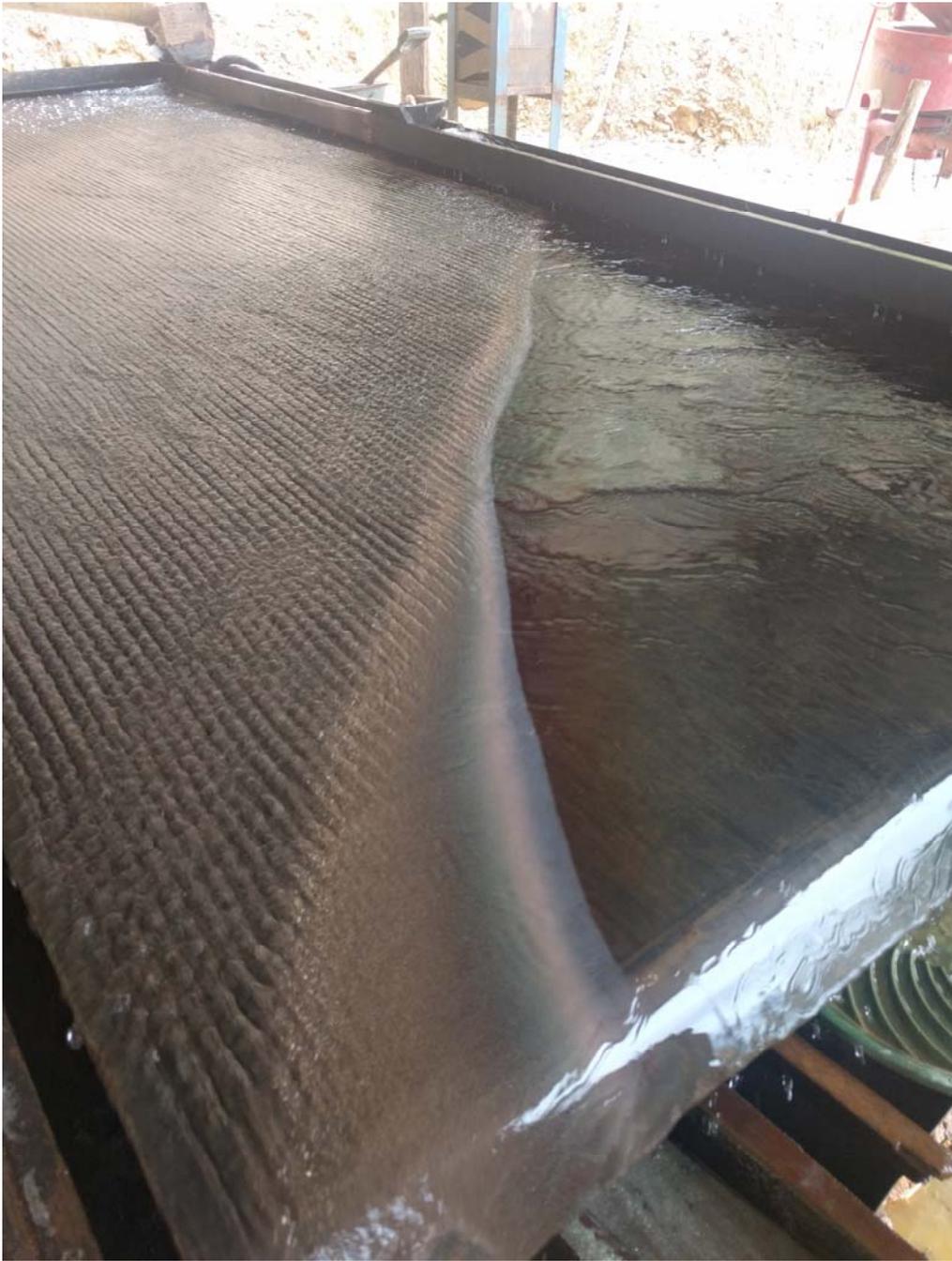
Figure 2 - Underground rocker shovel for mechanical loading

Figure 3 - Shaking table concentrate stream