



Crater Gold Mining Limited ABN 75 067 519 779

Financial Report

For the half-year ended

31 December 2015

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Company Focus – HGZ Gold Mine at Crater Mountain, Papua New Guinea

The half year ending 31 December 2015 was of major significance for Crater Gold Mining Limited (“CGN” or the “Company”) and its subsidiary companies (“the Group”). The priority for the half year was the completion and shipping of an upgraded gold mining plant to the HGZ gold mine. The upgraded plant has been delivered to the mining site and is in the process of being commissioned. Further development of the gold bearing structures along with continuing development sampling within the HGZ mine was the other focus for the Company during the half year.

The Company is excited by the upcoming phase, during which we anticipate an acceleration of our process of transition from gold developer to profitable gold producer. In addition to mining the HGZ, our recent discovery at the South Artisan Workings (SAW) Zone (refer ASX Announcement 1 February 2016) also represents the potential for additional mineralisation in close proximity to the HGZ mine and a potentially longer mine life operation.

The objective of the Company is ongoing cash flow to establish the Company as a profitable gold producer. When we reach mining plant capacity, we anticipate producing some 10,000 ounces of gold in the first full year of production, at an all-in cash cost of approximately AUD400 per ounce average over the mining lease term.

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.

HGZ Gold Mine (100%)

Key Points

- Upgraded Gold mining plant
- Gold Bearing Structure Development
- Bonanza sampling results continue

Subsequent to end of half year

- Upgraded gold mining plant delivered to site and commissioned
- High Grade Central Zone identified at HGZ Mine
- High grade gold sampling results 430m south of HGZ project
- Capital raise of \$800,000 completed

Activities

HGZ Gold Mine

Gold mining plant upgrade

An upgraded mining plant including two new hammer mills, high speed centrifugal concentrators, gravity shaking tables and a new compressor were ordered and shipped during the half year. The upgraded plant has been delivered to the mining site and is in the process of being commissioned.

Full mining capacity is anticipated during the 2nd quarter 2016 as the mining plant upgrade is fully commissioned.

The incorporation of the upgraded mining plant plus increased underground development will result in higher mining production.

The new centrifugal concentrators and shaking table will provide better recovery efficiencies when compared to the existing testing plant.

Gold Bearing Structure Development

This was the site of bonanza grade channel samples up to 847 g/t Au (refer ASX release of 19 November 2013 "Bonanza gold grades intersected at High Grade Zone" and ASX release of 4 May 2015 "High Grade Zone Mining development and Drilling Update").

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).

During the half, there was a focus on re-interpretation of controls to mineralisation and the location of high grade shoots. Mining development had been undertaken in 9 drives on mineralised gold bearing structures at the 1960 RL Adit. These veins have been identified from exploration development in 2013 and diamond drilling in 2014 and sampling results from 2015 as being the most consistent structures both in extent and gold mineralisation. They show very good correlation with the artisanal workings up to 30m above and are consistent with those workings which were reported to have yielded the best gold.

The drives have been prioritised to target identified zones of higher grade gold mineralisation and laid out to provide the basis for commencement of stoping on high grade.

The Company is prioritising locating the downwards extensions of the high grade shoots and their connecting structures in order to stope upwards on them and efficiently extract between the 1960RL level and the surface. The nature of mineralisation localised by intersecting fracture sets such as the HGZ is such that additional high grade shoots and splays not located by the local miners can be expected to be identified in the course of ongoing development.

The predominant trend is approximately N-S. There are also a number of steeply dipping cross cutting mineralised structures with an approximate EW orientation. Underground observations have also been made of relatively shallow dipping structures noted to be link structures between the NS and EW sets. All of these sets of structures have returned high gold values. The intersection of the steeply dipping NS and EW structures together with the occurrence of shallow dipping link structures is considered to play an important role in the control to mineralisation resulting in bonanza gold grades.

Review of Operations

Given the identification of discrete continuous zones of high grade strike length, development and stoping layouts have been established to exploit these shoots upwards to surface. It is significant that the high grade shoots so far identified correlate well with the diggings by artisanal miners exploiting the same structures from surface from 2005 to 2012.

Drive development and limited trial stoping was carried out with a combination of jack picking, where ground conditions were suitable and drill and blast where the rock was more competent. This allows narrow self-supporting excavations to be made. Excellent ground conditions were encountered for this type of mining with little need for supplementary support.

Development at the HGZ gold mine project during 2015 covered an approximate extent of 60m NS and 30m EW identifying those structures considered to be controlling the gold mineralisation and confirming the results of diamond drilling carried out in 2014.

A second adit level at approximately 1930RL is being planned to commence in due course to open up an additional 30m vertical extent of known shoots.

A refreshed geological interpretation has resulted in an improved understanding of the controls to mineralisation enabling mining to be better focussed

This fresh geological interpretation with resultant improved understanding of the controls to mineralisation will enable mining to be focussed within the zone described above. This will allow delineation of the extent of the shoots so they may be mined up and down dip. Mining rates during exploration development were restricted by low compressor capacity.

Bonanza gold sampling results

- Bonanza grade development sampling results up to 1,740 g/t Au
- Continuous zones of high grade development on strike
- Three high grade shoots identified

The Company reported that channel sampling of development on mineralised gold bearing structures returned bonanza gold grades on at least three separate structures.

Drive	Sample Position @ Start + m	Channel Width m	Grade g/t Au	Refer to Fig
EV4 - West	8.60	0.3	1,740	2
NV1 – North	2.70	0.5	570	4
NV2 – North	1.45	0.3	518	1

Review of Operations

Channel sampling of mineralised gold bearing structures in development drives confirmed contiguous zones of high grade mineralisation along strike suitable for selective mining. Refer to Table 1 below.

Drive	Strike length m	Wtd Ave Channel Width (CW) M	Wtd Ave CW Grade g/t Au	Wtd Ave SW Grade (assume 0.6m minimum width) g/t Au
NV1 Nth	4.35	0.44	147.7	108.3
Including	2.20	0.50	245.5	204.6
EV4 East	7.40	0.31	221.6	116.9
Including	2.95	0.40	410.7	273.8
JL Nth	10.90	0.71	21.2	11.7
Including	5.00	0.42	52.5	37.1
NV2 ex EV2	3.63	0.37	140.9	86.1

Table 1 - Significant Sampling and Assay Results from Drive Development

The success of these sampling results enables the Company to move rapidly towards increasing gold production when the updated mining plant is commissioned.

Future strategy

The Company's strategy at Crater Mountain is to become a gold producer at the HGZ mine. Gold production 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 area and its other prospects.

Corporate

Passing of Mr Peter Macnab

The Board of the Company advised that Director Peter Macnab passed away in December last year.

Peter had a luminary career in the resource sector, with a particular focus on Papua New Guinea. Previously the PNG Government Geologist, he participated in or was solely responsible for a long list of discoveries including the Frieda River copper/gold deposits; Misima's open pit gold mine; Wafi copper/gold deposits; the Simberi gold deposits; and most significantly discovering the world-class Ladolam gold mine on Lihir Island.

More recently, Peter's efforts were centred at Crater Mountain for the Company where he was instrumental in developing the Company's Crater Mountain Mixing Zone and the HGZ gold mining project.

Peter was an invaluable member of the Board since 2008.

The Board passes its condolences to Peter's wife, Maureen and to all of Peter's family.

Change of Company Secretary

Mr John Lemon resigned as Company Secretary of Crater Gold Mining Limited in order to pursue other business interests. The Board extends its thanks to Mr Lemon for his contribution to the Company and wishes him the best for his future endeavours.

Mr Heath Roberts was appointed Company Secretary. Mr Roberts is a commercial solicitor with eighteen years ASX listed company experience, to Executive Director level. He has acted as Company Secretary and/or Director for numerous ASX listed and private companies.

Share Placements

The Company successfully completed a two stage capital raising of \$3.4 million in November 2015. The capital raising was made up of two tranches with the first tranche of \$1.3 million issued to a selection of international

Review of Operations

institutional investors. The second tranche of \$2.1 million was issued to Freefire Technology Limited (Freefire), after requisite shareholder approval was obtained.

The company also completed a placement of \$1.06m in December 2015 to clients of Gobarralong Capital.

AGM Shareholder Meeting

At the Company's annual general meeting held on the 26th of November 2015, all the resolutions put to shareholders were passed. The Board extends its support to shareholders for their ongoing support.

EGM Shareholder Meetings

At the Company's general meeting held on the 3rd of July, all 8 resolutions put to Shareholders were passed. The Company's general meeting held on the 13th of November 2015, the 2 resolutions put to shareholders were also passed.

Subsequent to end of period

- Upgraded gold mining plant delivered to site and commissioned
- High Grade Central Zone identified at HGZ
- High grade gold sampling results 430m south of HGZ project
- Capital raise of \$800,000 completed

Upgraded Gold Mining Plant

The Company was pleased to announce the arrival of the upgraded gold mining plant in February of this year. The mining plant is currently at the Company's premises in Goroka, PNG. The delivery was several weeks behind schedule owing to shipping logistic delays with the Christmas / New Year period further extending the delay. The mining plant will be prepared for air lift to site.

High Gold Grades in Central Zone at HGZ

An important development has been the identification of a strong link structure trending roughly NE – SW linking the prominent NS structures thought to have controlled the gold mineralisation. Reinterpretation of geological mapping and alteration shows a central core of massive crystalline silica with strong presence of structurally controlled manganese oxide associated with hematite and limonite. The brittle nature of this zone has been conducive to formation of tension cracks allowing the introduction of mineralising fluids.

More visible gold has been observed with a higher frequency of elevated gold grades in this central zone than elsewhere in the system. Refer to Figure 1.

This is validated by bonanza grades reported in development in November 2013 and also Drill hole Nev 59 which passes through the middle of this zone, which returned 9.0m at 30.8 g/t Au from 28.5m, including 5.0m at 33.1 g/t Au and 2.5m at 44.3 g/t Au. (refer ASX release of 19 November: "Bonanza gold grades intersected at High Grade Zone" and ASX release of 4 May 2015 "High Grade Zone Mining development and Drilling Update").

The highest grades encountered in the Link development are interpreted to coincide with the intersection of several flat dipping, around 60 deg, cross cutting EW structures which terminate on the JL and NVI structures either side.

Drilling confirms that this zone continues to depth and can be accessed from future lower level development. This new interpretation will allow for a focussed mining plan to be undertaken.

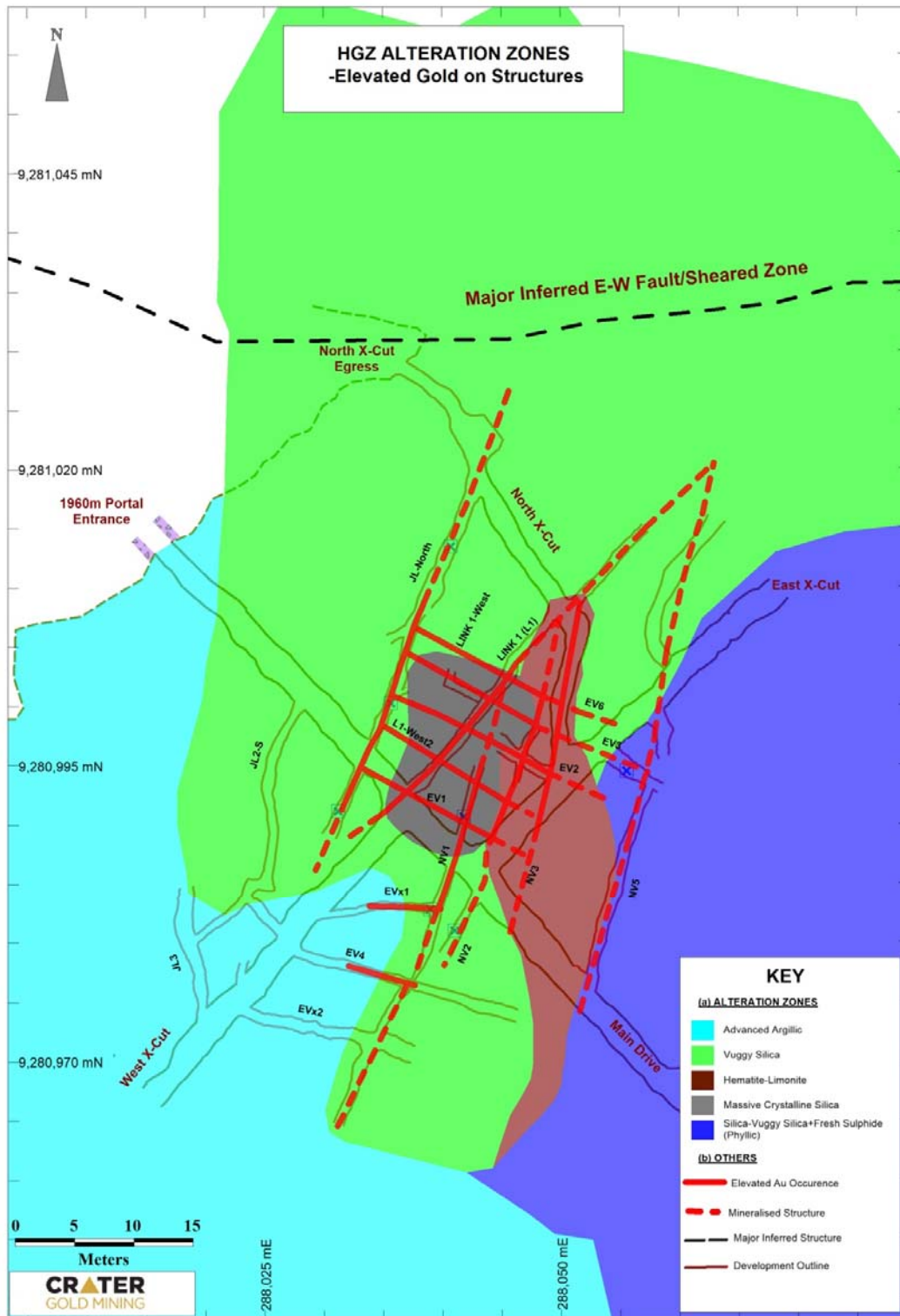


Figure 1 - Geological Interpretation of Structural Controls and Alteration

High Grade Gold Discovery 430m south of HGZ gold project

The Company announced the discovery of further high grade sampling results within ML 510, 430m south of the HGZ gold project at Crater Mountain. The new mineralized zone has been named the South Artisan Workings (SAW) Zone and is shown in Figure 2.

The Company undertook a sampling program at the SAW Zone after three horizontal drives had been excavated there by local artisanal miners into the side of a spur approximately 430 metres south of the Company's current High Grade Zone project.

The Company's sampling results included a sidewall channel sample assaying 46.6 g/t Au over 1.0m situated 2m from the entrance and a vein sample of 18.0 g/t Au over 0.2m situated 3m from the entrance of the same working. The workings follow an east-west trending structure at different elevations between 1920 and 1945 mamsl. This compares to the current HGZ operation at 1960 mamsl.

The similarities with the Company's current HGZ project suggest this discovery could be an extension of the current HGZ project or another independent high grade gold deposit.

Independent consultant Andrew Vigar of Mining Associates reported in October 2013 following a site visit to the HGZ project that "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 and that "the broader Crater Project area is at least 20km across and is a major system".

The discovery of the SAW Zone is consistent with Vigar's report and augers well for the delineation of additional mineralisation within practical transport distance from the existing HGZ operation.

We are excited by this discovery as it has the possibility to be significant for the Company and its HGZ project. The potential for additional high grade mineralisation is extremely exciting. A programme to more comprehensively test the SAW Zone is being designed and will be implemented as soon as practical.

The follow up programme will involve systematic mapping, trenching and sampling to delineate the possible extent of the mineralised structures.

Capital raise of \$800,000 completed

On 4 March 2016 the Company announced that it had undertaken a modest sized capital raising to complete the installation of new plant and equipment at the HGZ mine site. The Company has raised A\$800,000 through a placement of 10 million shares at a price of A\$0.08 per share to new Institutional and Wholesale investors. This placement was carried out under the Company's existing placement capacity pursuant to ASX Listing Rule 7.1 and did not require shareholder approval.

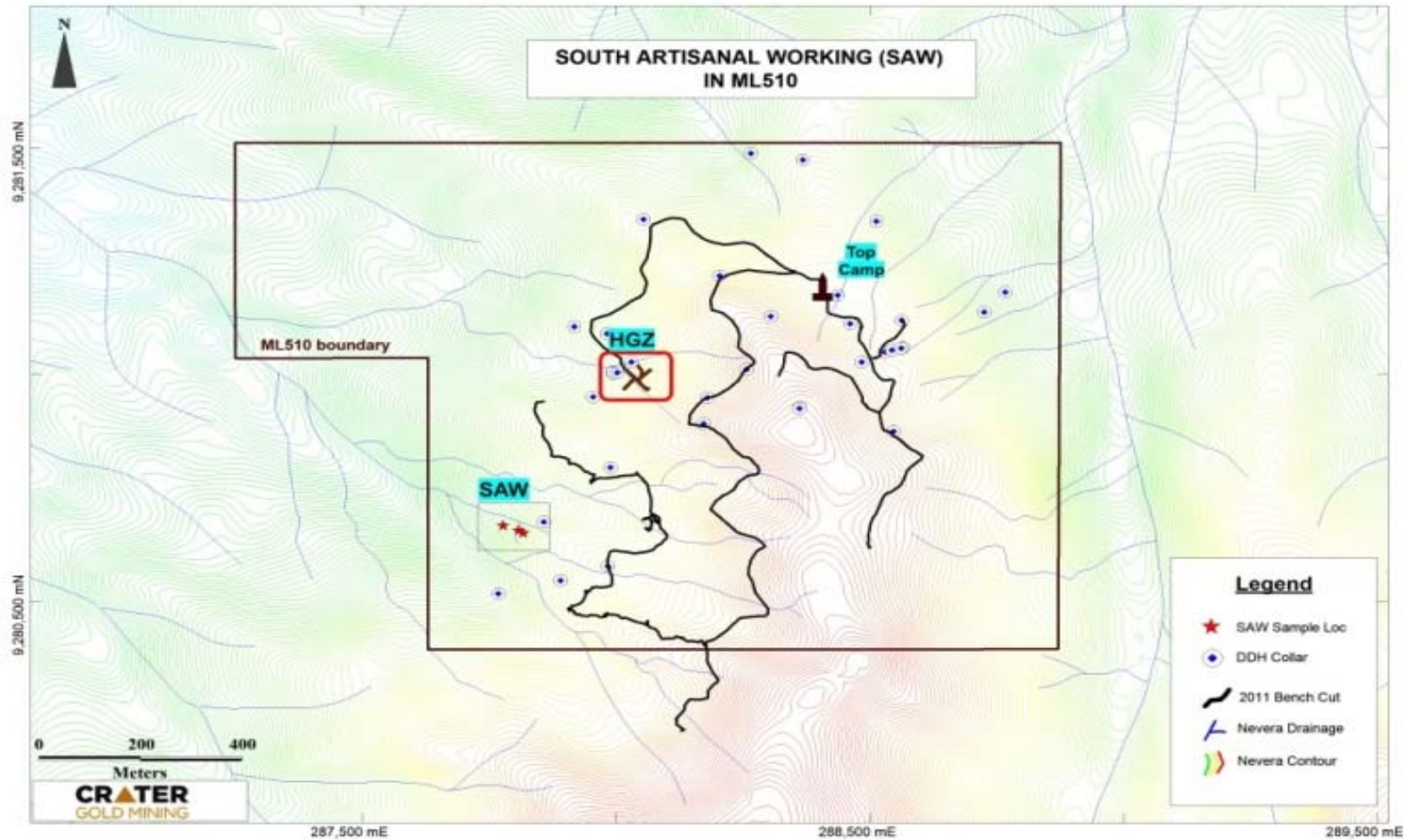


Figure 2 - Location of Artisanal workings

Review of Operations

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.

Directors' Report

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 2015.

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)	L K K Lee (Finance Director)
R D Parker (Managing Director)	R P Macnab (Non-executive Director) ¹
T M Fermanis (Non-executive Deputy Chairman)	D T Y Sun (Non-executive Director)

Mr Robert Macnab passed away on 3 December 2015. Mr Macnab has been an invaluable member of the Board since 2008. The Board passes its condolences to Peter's wife, Maureen and all his family and friends.

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 \$1,464,106 (2014: \$1,080,768) after revenue of \$117,848 (2014: \$Nil), interest income of \$3,106 (2014: \$3,140) and financing expense, including equity settled expenses of \$309,188 (2014: \$228,961).

The Group held \$220,603 in cash at the end of the half-year (June 2015: \$501,025) after making payments of \$3,480,124 (2014: \$2,909,850) for operating and exploration activities and \$71,307 (2014: \$63,253) for the purchase of fixed assets.

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

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 12 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

Sydney

15 March 2016



T M Fermanis
Deputy Chairman

Auditor's Independence Declaration



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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 2015, 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.

A handwritten signature in black ink that reads 'Gareth Few'. The signature is written in a cursive, flowing style.

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 15 March 2016

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Statement of Profit and Loss and Other Comprehensive Income

For the Half Year ended 31 December 2015

	Notes	Consolidated 31 December 2015 \$	Consolidated 31 December 2014 \$
Continuing operations			
Revenue		117,848	-
Profit / (loss) on disposal of fixed assets		(1,339)	-
Interest income		3,106	3,140
Total income		119,615	3,140
Expenses			
Administration expense	4	(839,612)	(793,073)
Corporate compliance expense		(91,779)	(61,874)
Exploration & evaluation costs written off	5	(343,142)	-
Financing expense		(309,188)	(228,961)
Loss before income tax expenses from continuing operations		(1,464,106)	(1,080,768)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,464,106)	(1,080,768)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(1,268,966)	1,613,218
Total comprehensive income for the half-year, net of tax		(2,733,072)	532,450
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic and diluted loss - cents per share		(0.79)	(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 2015

	Notes	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		220,603	501,025
Trade and other receivables		205,785	216,307
Total current assets		426,388	717,332
Non-current assets			
Other financial assets		71,560	66,445
Exploration and evaluation	5	31,002,153	30,781,160
Mining assets	6	6,851,793	6,159,354
Plant and equipment	7	980,000	1,061,048
Total non-current assets		38,905,506	38,068,007
Total assets		39,331,894	38,785,339
LIABILITIES			
Current liabilities			
Trade and other payables		1,555,213	1,878,248
Related party payables		640,285	561,636
Interest bearing liabilities	8	412,717	1,259,740
Total current liabilities		2,608,215	3,699,624
Non-current liabilities			
Interest bearing liabilities	9	3,073,515	2,977,026
Total non-current liabilities		3,073,515	2,977,026
Total Liabilities		5,681,730	6,676,650
Net Assets		33,650,164	32,108,689
EQUITY			
Contributed equity	10	57,890,009	53,724,173
Convertible note reserve		340,507	340,507
Reserves		2,246,804	3,407,059
Accumulated losses		(26,827,156)	(25,363,050)
Total Equity		33,650,164	32,108,689

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

Statement of Changes in Equity

As at 31 December 2015

Notes	Contributed equity \$	Convertible note reserve \$	Reserves \$	Accumulated losses \$	Total \$
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 share capital	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 period	-	-	(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
Consolidated Balance at 1 July 2014	50,768,612	-	1,278,317	(22,845,801)	29,201,128
Movement in share based payment reserve	-	-	11,040	-	11,040
Issue of convertible notes	-	340,508	-	-	340,508
Transaction costs	-	-	-	-	-
Transactions with owners	-	340,508	11,040	-	351,548
Loss after tax	-	-	-	(1,080,768)	(1,080,768)
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	1,613,217	-	1,613,217
Total comprehensive income for the half-year	-	-	1,613,217	(1,080,768)	532,449
Balance at 31 December 2014	50,768,612	340,508	2,902,574	(23,926,569)	30,085,125

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 2015

Notes	Consolidated 31 December 2015 \$	Consolidated 31 December 2014 \$
Cash flows from operating activities		
Receipts from customers	117,848	-
Payments to suppliers and employees	(982,694)	(508,564)
Interest received	3,106	3,140
Interest paid	(212,698)	(169,314)
Net cash used in operating activities	(1,074,438)	(674,738)
Cash flows from investing activities		
Purchases of property plant and equipment	(71,307)	(63,253)
Payments for exploration and evaluation	(1,484,767)	(2,167,757)
Payments for mining assets	(915,805)	-
Payments for security deposit	(5,114)	(18,305)
Net cash used in investing activities	(2,476,993)	(2,249,315)
Cash flows from financing activities		
Proceeds from issue of ordinary shares and options	4,289,867	-
Share issue costs	(150,281)	-
Proceeds from issue of Convertible Notes (net of costs)	-	3,170,762
Proceeds from borrowing	1,161,844	1,030,000
Repayment of borrowing	(2,008,867)	(1,500,000)
Net cash provided by financing activities	3,292,563	2,700,762
Net (decrease) / increase in cash held	(258,868)	(223,291)
Cash at the beginning of the half-year	501,025	333,986
Effects of foreign exchange movements on cash transactions and balances	(21,554)	(32,538)
Cash at the end of the half-year	220,603	78,157

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

Notes to the Interim Financial Statements

1. Basis of preparation

These financial statements for the interim half-year reporting period ended 31 December 2015 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 2015 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 \$1,464,106 (2014: \$1,080,768) for the half-year ended 31 December 2015 with total cash outflows from operating and investing activities of \$3,551,431 (2014: \$2,924,053). As at 31 December 2015, the Group had net current liabilities of \$2,181,827 (2014: net current liabilities \$2,010,979) including cash on hand of \$220,603 (2014: \$78,157).

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) On 4 March 2016 the Company announced that it had undertaken a modest sized capital raising to complete the installation of new plant and equipment at the HGZ mine site. The Company has raised A\$800,000 through a placement of 10 million shares at a price of A\$0.08 per share to new Institutional and Wholesale investors. This placement was carried out under the Company's existing placement capacity pursuant to ASX Listing Rule 7.1 and did not require shareholder approval.
- c) 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.

Notes to the Interim Financial Statements

3. Operating Segments

	Croydon \$	Fergusson Island \$	Crater Mountain \$	Intersegment eliminations / Australia \$	Consolidated \$
Half-year to 31 December 2015					
External segment revenue	-	-	117,848	-	117,848
Assets write downs	(343,142)	-	-	-	(343,142)
Segment expenses	-	-	(1,506,107)	1,376,253	(129,854)
Segment profit / (loss)	(343,142)	-	(1,388,259)	1,376,253	(355,148)
Interest revenue					3,106
Other expenses					(1,112,064)
Profit before income tax expense					(1,464,106)
Income tax expense					-
Profit after income tax expense					(1,464,106)
Segment assets	3,881,387	310,787	33,178,161	(43,831,334)	(6,460,999)
Other assets					45,792,893
Net assets					39,331,894
Segment liabilities	-	-	36,082,123	(34,999,892)	1,082,231
Other liabilities					4,599,499
Net liabilities					5,681,730
Half-year to 31 December 2014					
External segment revenue	-	-	-	-	-
Segment expenses	-	-	1,855,623	(1,917,877)	(62,254)
Segment profit / (loss)	-	-	1,855,623	(1,917,877)	(62,254)
Interest revenue					3,140
Other expenses					(1,021,654)
Profit before income tax expense					(1,080,768)
Income tax expense					-
Profit after income tax expense					(1,080,768)
Segment assets	4,188,675	257,824	29,035,273	(42,311,964)	(8,830,192)
Other assets					44,097,654
Net assets					35,267,462
Segment liabilities	-	-	31,042,483	(30,509,486)	532,997
Other liabilities					4,649,340
Net liabilities					5,182,337

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.

Notes to the Interim Financial Statements

	Consolidated 31 December 2015 \$	Consolidated 31 December 2014 \$
4. Administration expenses		
Employee benefits expense	32,197	200,342
Employee Share Option Plan ¹	108,711	11,040
General administration expenses	698,704	581,691
	839,612	793,073

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 2015

	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
5. Non-Current Assets - Exploration and evaluation		
<u>At the beginning of the year</u>		
Cost	31,770,333	31,201,205
Provision for impairment	(989,173)	(989,173)
Net book value	30,781,160	30,212,032
Opening net book value	30,781,160	30,212,032
Expenditure capitalised	1,552,477	4,642,518
Expenditure reclassified to Mining assets	-	(6,159,354)
Exploration costs written off	(343,142)	-
Effect of movement in exchange rates	(988,342)	2,085,964
Closing net book value	31,002,153	30,781,160
<u>At the end of the year</u>		
Cost	31,991,326	31,770,333
Provision for impairment	(989,173)	(989,173)
Net book value	31,002,153	30,781,160

Notes to the Interim Financial Statements

	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
6. Non-Current Assets – Mining assets		
Mining development – at cost	6,851,793	6,159,354
Accumulated amortisation	-	-
Provision for impairment	-	-
Net book value	6,851,793	6,159,354
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.		
No amortisation has been booked on the assets as there has only been very limited production to date.		
A reconciliation of the written down values at the beginning and end of the current and previous financial year is set out below		
Balance at beginning of period	6,159,354	-
Additions	915,805	-
Mining assets reclassified from Exploration and Evaluation	-	6,159,354
Impairment of assets	-	-
Amortisation expense	-	-
Effect of movement in exchange rates	(223,366)	-
Balance at end of period	6,851,793	6,159,354

7. Non-Current Assets - Plant and equipment

Plant and equipment		
Cost	1,730,207	1,724,001
Accumulated depreciation	(750,207)	(662,953)
Net book value	980,000	1,061,048

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	1,061,048	836,418
Additions	71,307	451,160
Disposals	(1,339)	-
Depreciation expense	(47,601)	(5,954)
Depreciation capitalised	(67,710)	(287,397)
Effect of movements in exchange rates	(35,705)	66,821
Balance at end of period	980,000	1,061,048

Notes to the Interim Financial Statements

	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
8. Current Liabilities – Interest bearing liabilities		
Freefire Technology Limited loan	412,717	1,259,740
	412,717	1,259,740

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

9. Non-current Liabilities – Interest bearing liabilities

Convertible notes	3,073,515	2,977,026
	3,073,515	2,977,026

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 \$237,964 have been offset against the convertible notes payable liability.

The convertible notes are unsecured.

Notes to the Interim Financial Statements

10. Contributed Equity

Equity Securities Issued	No. of ordinary shares	Total \$
For the half-year ended 31 December 2015		
As at 1 July 2015	171,825,400	53,724,173
Shares issued	53,951,460	4,165,836
As at 31 December 2015	225,776,860	57,890,009
For the full year ended 30 June 2015		
As at 1 July 2014	136,435,320	50,768,612
Shares issued	35,390,080	2,955,561
As at 30 June 2015	171,825,400	53,724,173

Movements in Ordinary Share Capital

Date	Details	No. of shares	Value \$
Half-year to 31 December 2015			
01-Jul-15	Balance 1 July - Ordinary Shares	171,825,400	53,724,173
12-Nov-15	Placement to sophisticated investors	15,312,500	1,225,000
12-Nov-15	Placement to Freefire	25,110,835	2,008,867
04-Dec-15	Placement to sophisticated investors	13,200,000	1,056,000
04-Dec-15	Sinton Spence	328,125	26,250
	Less: Transaction costs arising on share issues		(150,281)
		225,776,860	57,890,009
For the full year ended 30 June 2015			
01-Jul-14	Balance 1 July - Ordinary Shares	136,435,320	50,768,612
23-Apr-15	Manzilake Pty Limited	781,250	62,500
23-Apr-15	Paul Henley	500,000	40,000
21-May-15	Rights Issue	34,108,830	3,069,795
	Less: Transaction costs arising on share issues		(216,734)
		171,825,400	53,724,173

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.

Capital raising

On 4 March 2016 the Company announced that it had undertaken a modest sized capital raising to complete the installation of new plant and equipment at the HGZ mine site. The Company has raised A\$800,000 through a placement of 10 million shares at a price of A\$0.08 per share to new Institutional and Wholesale investors. This placement was carried out under the Company's existing placement capacity pursuant to ASX Listing Rule 7.1 and did not require shareholder approval.

Directors' Declaration

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 2015 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
15 March 2016

Independent Auditor's Review Report



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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 have reviewed the accompanying half-year financial report of Crater Gold Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 consolidated 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 our review. We conducted 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*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Crater Gold Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Independent Auditor's Review Report



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Crater Gold Mining Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 in the financial report, which indicates that the ability of the Group to continue as a going concern is dependent upon continued successful raising of funding, financial support from Freefire Technology Limited and gold production meeting forecast amounts at the Crater Mountain Project in Papua New Guinea. Failing to meet these assumptions would indicate the existence of a material uncertainty that would cast significant doubt as to the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

A handwritten signature in black ink that reads 'Gareth Few'. The signature is written in a cursive style.

Gareth Few
Partner

Sydney, 15 March 2016

Directors:	S W S Chan (Non-executive Chairman) R D Parker (Managing Director) T M Fermanis (Non-executive Deputy Chairman) L K K Lee (Finance Director) D T Y Sun (Non-executive Director)
Company Secretary:	H L Roberts
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Registered Office:	Level 4, 15 – 17 Young Street, Sydney NSW 2000 Australia Telephone: +61 2 9241 4224 Email: info@cratergold.com.au
Postal Address:	Level 4, 15 – 17 Young Street, Sydney NSW 2000 Australia
Share Registry:	Link Market Services Limited Level 15, 324 Queen Street Brisbane QLD 4000 Australia Telephone: 1300 554 474 Facsimile: +61 7 3228 4999
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”. Crater Gold Mining Limited convertible notes are quoted on the Australian Securities Exchange under the code “CGNG”.
Website address:	www.cratergold.com.au