

ANNOUNCEMENT

Quarterly Activities and Cash Flow Report December 2008

30 January 2009: Brisbane, Australia – Citigold Corporation Limited (Citigold) (ASX:CTO, DIFX:CTO, FSE:CHP) is pleased to detail further advances made for the quarter ended 31 December 2008 in mine operations at the Charters Towers Gold Project.

The highlights for the Quarter include:

- **Capital works expansion program progressing: Up 14%**
- **Western Decline was focus for the quarter**
- **Next gold production area accessed by decline**
- **Gold production 2,569 oz**
- **7% increase in underground productivity**
- **Diamond core drilling up 25%**
- **Down hole radar tests successful**
- **Deep Hole drilling completed**

The focus in the Quarter was advancing the capital works with the extension of the Western Decline parallel to the ore on the Warrior reef. While these capital works were underway gold production continued on a reduced scale producing 2,569 ounces. These works should allow additional gold production areas in future quarters.

A new ore production area has been accessed off the Western Decline, with initial face grades running as high as 20 grams to the tonne. While the levels do not average these grades the assays are indicating that the stopes should perform well. As the number of working areas increases the high grade tonnes mined can increase. The capital works are well advanced towards a third production area. The focus has shifted since the end of the quarter to accessing the ore areas parallel to the Western Decline and to make a meaningful increase in ore production.



Test work in progress confirmed that the borehole radar (geophysical technique) can be used to increase the strike rate of diamond drilling, reducing the number of holes drilled into low grade areas. By being able to better target the high grade areas, mine planning is improved and the rate of gold production will increase.

Diamond-drill metres increased by 25% in the quarter. Following the power upgrade the program is to move more of the drills onto lower cost electric grid power as part of the constant efficiency program.

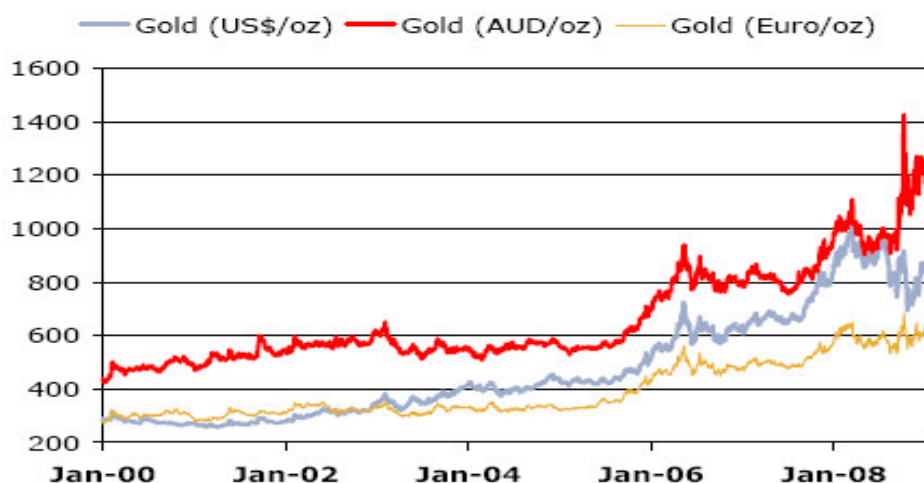
2009 THE YEAR AHEAD

2008 was a successful consolidation year for Citigold with the completion of the power upgrade, the move to 24/7 operations and successful trialing of underground radar techniques.

Citigold is now in a situation where capital works are moving in front of mining operations therefore allowing production to begin to commence from multiple areas. These capital works should ensure a significant increase in production throughout 2009 as more mining areas are accessed.

Although the gold price is out of the Company's control it forms a key component of the revenue base since the gold produced is sold at the spot price at the time of sale. The planned increase in 2009 of gold production comes at an optimal time in the gold market. Citigold receive all of its revenue in Australian dollars and the gold price in Australian dollars has remained near all time high levels due to a consistent United States gold price and the fall in the Australian dollar. Gold market sentiment is more driven by the United States dollar price, which remained strong through 2008 and into 2009.

Both Morgan Stanley and UBS have raised their short term gold price projections for 2009 to US\$900 an ounce with UBS also predicting US\$1,000 per ounce in 2010.



These views were further supported by the GFMS precious metals research group when it predicted that gold prices will break their all-time high mark of US\$1,030 per ounce in the first half of this year. Chairperson Philip Klapwijk cited similar reasoning to Morgan Stanley in a new report entitled 'Gold Survey 2008 - update 2' that the impact of the "extraordinary monetary and fiscal policies" undertaken by governments around the world will soon boost gold. "I'm sure a strong rally is going to emerge," he said.

MINING OPERATIONS

The focus of the December quarter was the capital works for the underground access, in the Western decline. These works need to be completed prior to lifting gold production. The capital development was hindered in the past due to lack of power. The December quarter was the first quarter that the underground had been operating on a 24/7 basis with the required power and this resulted in an increase in capital works advance of 14%, bringing the total underground capital development to 835 metres for the quarter.



The design of the Western decline is aimed at increasing efficiencies of mining the Charters Towers reefs including minimising the length of sub declines between the ore levels, minimising overall tunnel metres and giving close access to the reefs for mine planning drilling.

A new ore-producing area was accessed during the Quarter from the Western Decline. This means that the Company now has two production areas from which to draw gold ore from which should result in increased ore production over the following quarters.

The Western decline will continue towards the third planned mining area during the first quarter 2009. However with the focus now shifting to production it will not be accessed until towards the end of the first quarter 2009.



Underground capital works for the quarter included 835 metres (732 m last Quarter), up 14%, comprising 53 metres of capital development in ore and 782 metres of capital development parallel to the ore body. This takes total capital works for the calendar year to 2,758 metres. Capital development parallel to the ore body was undertaken in the Western Decline including loading bays and ore access drives. Capital works in ore were completed along the 715 Level and the Western Ore Drive on the 720 Level.

The rate of the capital works advance, since the completion of the power upgrade, has continued to improve and is now well in excess of the average of equivalent Australian mines development operations. During the quarter the rate of advance averaged 8.6 metres per day, above the Australian average of 5 metres per day.

Ore came from the 715 Level Drive and Western Ore Drive whilst stoping continued from the 745 and 840 stopes.

The mill continues to perform well with recovery of gold from the ore remaining high and averaging 97.4% during the quarter. The metallurgical aspect of the ore has routinely been simple and remains indicative of the relatively easy milling Charters Towers ore.

Gold sold attributable to the quarter was 2,569 ounces. The average price received was Australian dollars \$1,191 per ounce.

HEALTH, SAFETY AND ENVIRONMENT

There were three Lost Time Injuries (muscle and joint strains) and no significant health incidents during the Quarter. There were no reportable Environmental Incidents during the Quarter.

DRILLING

Geophysics

Initial experimental down-hole surveys and test work by CSIRO established that borehole radar has the ability to map the surface topography of the Charters Towers sheet-like lode zones up to a 30 metres radius from drill holes in the Charters Towers granite. Data is recorded the full length of holes located sub-parallel to the gold reefs. This will result in Citigold extracting more valuable data from each drill hole under the program. The technical team has also established that the borehole radar can detect pyritic ore in quartz, through frequency variations, a key determinate of the high grade ore zones at the Charters Towers Goldfield.

Further radar survey tests were completed during the quarter. The results confirmed borehole radar as a viable technique to delineate high grade areas. This will help to better target the high grade areas of the known reefs and gradually reduce the quantity of drilling, speed up mine planning and significantly reduce costs.



Image: Rebecca Williams (Citigold Exploration Team Member) and Dr Carina Kemp and Tim Sindle of Geomole consultants removing the radar after the successful mapping of one of the test holes.

Imperial Lode

The Imperial Lode is another parallel lode relatively close to the current Warrior reef. The aim is to open up the reef from the Western Decline for additional ore sources and working faces. This was part of the Western Decline plan. There are other areas that can be accessed as the decline moves westward and deeper.

The Imperial Lode runs roughly parallel to the Warrior reef but converging to the east and dipping north at 30 to 35 degrees. The Warrior dips north at 45 to 48 degrees, so the two reefs converge going east at depth. When the Western Decline reaches its targeted eastern advance of 1 kilometre in length it will be approximately 300 metres from the Imperial. This means that the Imperial Lode could be accessed from a short crosscut of 300 metres from the existing workings. This should result in additional mining areas being developed simultaneously, thus assisting the Warrior mine to increase gold production.

The mining data produced from the past mining of the Charters Towers goldfield has confirmed where ore bodies converge, there is often an increase in grade at and near the intersection of two ore bodies.

The convergence of Warrior and Imperial offers the potential to access additional ore sources. As previously reported when multiple areas are opened up the ounces delivered to the mill for extraction will increase. The Imperial Lode will be worked as a part of the Warrior mine using its existing underground and surface infrastructure.

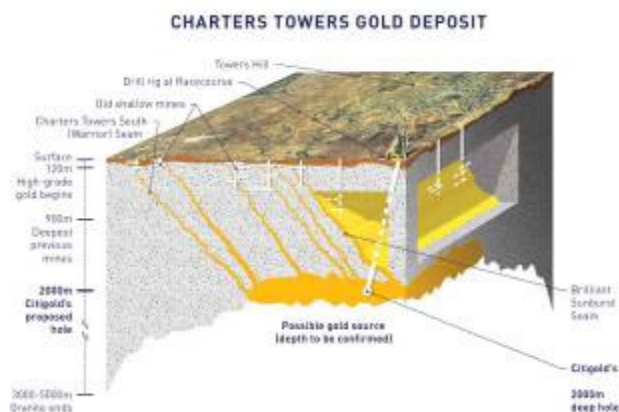
The mill is still only operated part time and has surplus spare capacity.

Mine planning drilling is planned to commence on the Imperial during the coming Quarter.

EXPLORATION

Deep Hole

- Gold mineralisation extended 700 metres vertically to 1,900 metres.
- Continuity of mineralisation confirmed.
- Potential to increase total gold resource.
- Geological model of deep gold structures proven.
- Record depth for Atlas Copco Diamac U8 APC drill.



The hole was located on the north-eastern side of the City, near the Racecourse, and dipped steeply to the south-south-west. This Deep Hole is significant for Citigold because it has further indicated the goldfield is very large with the potential to substantially increase the current 10 million ounce gold resource.

Citigold commenced the Deep Hole having qualified to be subsidised under the Queensland Government's Collaborative Drilling Initiative of the Smart Mining – Future Prosperity Program. Recent studies, by James Cook University's Dr Oliver Kreuzer, lead to the conclusion that the gold bearing structures may extend to depths of over 3 kilometres.

On 16 October 2008 Citigold announced that the Deep Hole had hit its first main target and the Brilliant target zone was located deeper in the hole. The final depth of the hole was 2001 metres.

Citigold Corporation's Managing Director and CEO Mr Mark Lynch said *"The results from the deep hole prove that the Charters Towers mineralised system extends to depth beyond the limits previously mined and remains open at depth and to the east"*

The results confirm the presence of gold related alteration and mineralisation and demonstrate that the mineralised structures persist to at least 1,900 m depth on the eastern side of the gold field.

Drilling at Charters Towers South

Drilling at Warrior mine continued during the Quarter, with a total of 9,110 metres drilled (7,316 m last Quarter) taking the total metres of core drilled for the calendar year to 27,690 metres.

Thirty-three holes were completed, including the Deep Hole. The results continued to be very encouraging, with the majority of the holes intersecting gold mineralisation, and 50% of the holes hitting grades and widths considered to represent mineable intersections. A high proportion of the holes were geophysical holes and mine planning holes.

Regional Exploration

Field mapping and geochemical sampling continued on EPM 15964 northwest of Charters Towers and EPM 15966 to the southwest. Airborne geophysical data on 200 metre line spacings has been purchased to assist in defining regional exploration targets on the company's exploration permits.

An application for a new EPM 16979 was progressing through the grant system.

FINANCE

This quarter continued to see the Australian dollar gold price increasing, with the average sale price exceeding \$1,190 per ounce. The cash operating cost per ounce for the Quarter remained under \$500, at \$482 per ounce. During January the Australian dollar gold price has continued to increase and is currently over \$1,300 per ounce. Due to economies of scale the increase in production planned for 2009 should result in the cost per ounce starting to decrease from the current levels and approach the targeted cost per ounce of \$350 at full production.

During the quarter two items of new equipment were delivered to site to improve ore production efficiency. One item was a fully computerised blast hole rig capable of drilling out an entire face without further instructions from the underground miners after being set up. It also can take longer rounds, reducing cycle times. The other item was an additional haulage truck. Both these items were financed, demonstrating Citigold's ability to get required financing during the current economic climate.

The previously announced Dubai deal will fund future increases in gold output through the current capital works program.

With the focus of the Quarter being on the advancement of capital works the majority of the expenditure was related to capital development. As the focus now shifts to production and becoming cash flow positive by June 2009 it is expected to see a reduction in development costs during 2009.

For further information contact:

Mark Lynch
Managing Director/CEO

Matthew Martin
Company Secretary

STRATEGIC BUSINESS SUMMARY

Citigold Corporation is a gold producer controlling Australia's richest major goldfield at Charters Towers in North Queensland. The high-grade deposit contains a gold resource of 10 million ozs (23 Mt @ 14 g/t) with exceptional growth potential. Gold output targets growing to 300,000 ozs per year with gold production cash costs under A\$350 per oz. (See www.citigold.com for full resources report)

Cautionary Note: This release may contain forward-looking statements that are based upon management's expectations and beliefs in regards to future events. These statements are subjected to risk and uncertainties that might be out of the control of Citigold Corporation Limited and may cause actual results to differ from the release. Citigold Corporation Limited takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.

The following statements apply in respect of the information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves: The information is based on, and accurately reflects, information compiled by Mr Christopher Alan John Towsey, who is a Corporate Member and Fellow of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Towsey is a geologist and employed by CTO as Chief Operating Officer. He has the relevant experience in relation to the mineralisation being reported on to qualify as a Competent Person as defined in the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves. Mr Towsey has consented in writing to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CITIGOLD CORPORATION LIMITED

ABN

30 060 397 177

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	4,791	7,391
1.2 Payments for (a) exploration and evaluation	(1,620)	(2,435)
(b) development	(6,343)	(8,585)
(c) production	(1,158)	(2,626)
(d) administration	(1,201)	(2,266)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	62	80
1.5 Interest and other costs of finance paid	(277)	(413)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(5,871)	(8,979)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(3,513)	(5,593)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(3,513)	(5,593)
1.13 Total operating and investing cash flows (carried forward)	(9,384)	(14,572)

1.13	Total operating and investing cash flows (brought forward)	(9,384)	(14,572)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	(394)	10,738
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	2,975	4,820
1.17	Repayment of borrowings	(1,856)	(2,118)
1.18	Dividends paid	-	-
1.19	Other - (Conversion of Options)	-	-
	- (Issue of Convertible Notes)	-	-
	- (Costs of financing activities)	-	-
	Net financing cash flows	725	13,440
	Net increase (decrease) in cash held	(8,659)	1,132
1.20	Cash at beginning of quarter/year to date	9,036	1,509
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	377	377

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	165
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments comprise executive salaries, consultancy fees and superannuation guarantee charge thereon.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	15,000	15,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,500
4.2 Development	3,500
Total	4,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	377	377
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Held by Third Parties) Term Deposit	-	-
Total: cash at end of quarter (item 1.22)		

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	736,186,915	736,186,915		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	122,222 5,625,000 1,330,357 2,000,000 15,384,615 6,562,500 6,562,500	Nil Nil Nil Nil Nil Nil Nil	<i>Exercise price</i> 45 cents 50 cents 37 cents 20 cents 26 cents 50 cents 50 cents	<i>Expiry date</i> 20 November 2009 27 November 2009 14 May 2010 1 March 2011 26 March 2011 10 April 2011 27 November 2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	Nil	Nil		
7.12 Unsecured notes <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.
Appendix 5B

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 30 January 2009

Print name: Matthew Martin

Additional Information

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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