

ANNOUNCEMENT

Quarterly Activities Report September 2009

27 October 2009: Brisbane, Australia – Citigold Corporation Limited (Citigold) (ASX:CTO, NASDAQ Dubai:CTO, FSE:CHP) is pleased to detail growth achieved for the quarter ended 30 September 2009 in mine operations at the Charters Towers Gold Project.

The highlights for the Quarter include:

- **Gold production up 41% on previous Quarter to 2,609 ounces**
- **New mine site management to drive growth**
- **High tech geophysics to assist gold production growth**
- **Average per ounce revenue was \$1,149 per gold ounce**
- **Capital raising of A\$5.8 million completed**
- **Gateway takeover bid closes with Citigold now the dominant shareholder**
- **25,000 ounce gold production plan for calendar 2009 still achievable**
- **Gold asset backing gets stronger**



SUMMARY

Although quarterly production was below target it was a major increase on the previous quarter, growing 41% and generating over \$3 million in revenue.

The mine is now on a growth path. The Charters Towers management team feels that the 2009 target is still achievable, or close to, and that the new management team is keen to drive gold production growth.

Citigold has the gold and based on experience to date there are limited technical impediments to becoming a large gold producer at Charters Towers. The desire for prudent management of shareholder funds is coupled with the aim to scale up current gold production operations to 85,000 ounces in 2010 and further.

The Charters Towers mine's Warrior reef continues to improve with, assays from face sampling in the 720 level in the WS19 ore panel showing average drive width grades along strike for the stope of 8.6 g/t with the highest spot grade exceeding 1000g/t gold.

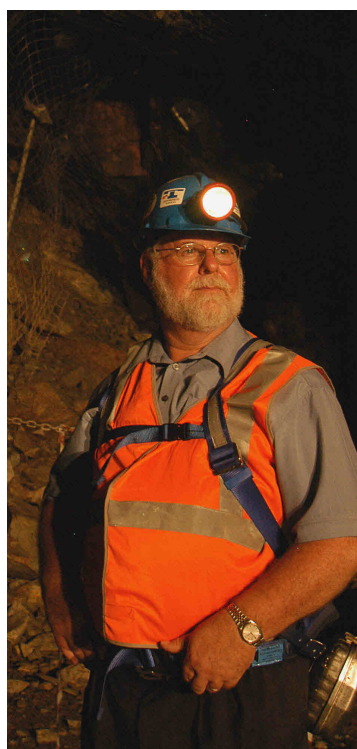
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The high tech geophysics program was given a major boost this quarter with the successful trial of a specialised DHIP technique to accurately scan the mineralised structure and efficiently highlight the high grade gold ore for mine planning. The aim of the imaging test work is to accelerate gold production growth by “seeing” between broader spaced drill holes and to map the localised concentrations of pyrite and galena metallic ore that on the Charters Towers deposit are associated with the high grade gold. The contractors doing the work have developed specialised survey techniques and software to map the ore body within the clearly defined mineralised structures that host the high grade gold at Charters Towers. This program forms an integral part of efficiently lifting gold production by eliminating up to 70% of the required diamond drilling through focusing only on the high grade (payable) areas.

The annual financial results released during the Quarter saw audited consolidated net assets grow to \$224 million and demonstrated the strengthening feasibility of the Charters Towers project. The mechanised mining method generated a positive consolidated net cash flow from operations of over \$2.5 million for the year. It was also pleasing to see a positive Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) for the second consecutive year.

The quarter was active on the corporate front with an oversubscribed capital raising and the successful acquisition of a controlling interest in Gateway Mining Limited. Citigold thanks shareholders for their ongoing strong support.

Despite the share market ‘doing what it does’ management has continued to move the flagship Charters Towers project forward at all times and to prepare the world class gold asset for efficient business growth. This growth aims to have a gold business that can generate strong returns for shareholders whether they joined us at the beginning, or now. Citigold shares are valuable and it is interesting to note that new astute on market institutional buying in Citigold is emerging.



The Chief Operating Officer, Mr Chris Towsey commented *“It is a very exciting time being on the verge of a step upward change in gold production and leading a site based management team capable of taking Citigold to a mid tiered gold producer”*.

NEW MINE SITE MANAGEMENT TO DRIVE GROWTH

Management of the mine site has been restructured to ensure the full potential of the Charters Towers project is achieved.

The restructure has seen three new site based personnel added to the existing experienced site management.

Mr Towsey, Citigold’s current Chief Operating Officer, is now based full time at the mine and is appointed to the statutory position of Site Senior Executive. Mr Towsey, as on site head of the Charters Towers operations, will oversee day to day operations, actively manage risks, liaise with the Department of Mines and Energy and meet corporate targets. Mr Towsey is the company’s most experienced mining professional with over 35 years experience, including underground mining experience

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at Mount Isa Mines and the Emperor underground gold mine in Fiji. His experience, leadership and guidance on a daily basis are expected to ensure the Company meets its future production targets.

Mr Towsey has appointed Mr Tony McDonald, an experienced mining manager, to the new position of General Manager Charters Towers Operations. This new position reports directly to Mr Towsey. Mr McDonald's appointment will see him in direct contact with all the department heads ensuring the day to day operations are conducted in the most efficient manner and consistent with the corporate goals and targets.

The underground mining department has been further strengthened by the appointment of an additional Mine Superintendent, Mr Mick Searle, who brings additional experience and business focus to the underground gold production operation.

Under the guidance of Mr Towsey the Board feel confident that the Charters Towers team will ensure the Company's goal of becoming a mid tier gold producer should be achieved.



Above: Mr McDonald, second from left standing, and team at the mine entrance.

MINING OPERATIONS

Ore Production

During the quarter ore was hauled from three levels of the WS19 area (720, 705 and 675). Total in ore development metres for the quarter was 397 metres.

At Warrior Citigold is developing a mine planning and development system that is suitable for a large scale high grade mining operation. While the mechanised system has taken longer than expected to develop the Company's conservative approach aims to ensure a low operating cost mining method for long term gold production.

The Warrior mining area contains an Inferred Mineral Resource of 1.9 million tonnes at 14 g/t Au containing 840,000 ounces of gold. This deposit is part of the overall Charters Towers 10 million ounce gold deposit. For full technical details of the deposit see Table 8 on Page 40 of the Report on the Inferred Mineral Resources for the Charters Towers Gold Project May 2005, on the Company's website. Within the overall resource head grades and widths of the specific mining areas are expected to vary.

Development Mining

Capital development aims at during the quarter totaled 890 metres (an increase of 2% from last quarter), including 397 metres of in ore development. The out of ore capital development was aimed at accessing the Levels in WS19 and WS21 stoping areas plus ventilation connections, underground drill bays and escape ways.

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Gold Production

Gold production totaled 2,609 ounces for the Quarter, an increase of 41% on the previous Quarter, however well below the planned 5,000 ounces for the quarter. The average sale price received was A\$1,149 per ounce during the Quarter and the average Cash Cost was A\$542 per ounce, resulting in a cash surplus margin of A\$607 per ounce.

The Charters Towers management team feels that the 2009 target of 25,000 ounces is still achievable, or close to, and that the new management team is keen to drive gold production growth.

Costs per ounce were slightly higher this quarter due to trial shotcreting in the WS19. It was expected that shotcreting would allow for faster advance and hence lower the cost of ore extraction however the cost of shotcreting outweighed the benefits. Underground shotcreting ceased in late September.

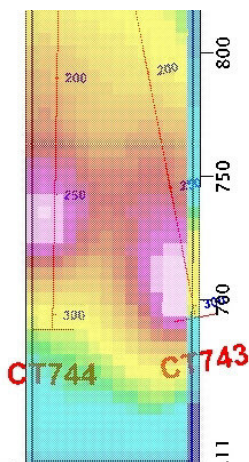
The average cash cost excludes mine development costs which will be capitalised due to the long term nature of the asset they create.

Average gold recovery for the quarter was 97%. The mill head grade was below average due to milling of low grade stockpiled material.

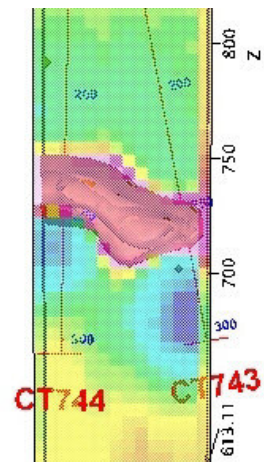
The current Quarter expects to see better mill grades, and gold production, due to stoping that commenced in mid October.

Mine Planning

The geophysical test work using down hole induced polarization (DHIP) has shown good results in mapping the sulphide zones, which are indicative of high grade gold areas, being detected around and between drill holes, at up to 200 metre spacing. A number of significant target areas have been defined after initial calibration of the system on known mineralised areas. The goal is to use these geophysical imaging techniques to map the ore body in detail for mine planning to efficiently locate the development drives to access the stoping panels. The aim is to only drill the generally high grade areas and to eliminate the low grade areas by these high tech methods.



Two geophysics images of the same area detecting 'chargeability' (left) and 'conductivity' (right) show clearly the high grade area (in pink) in the known ore body. Drilling in the pink area had returned the following high grade intersections - Hole CT744 assayed 2 metres @ 18.9g/t gold, and CT743 assayed 0.9 metres @ 101.6 g/t gold



The DHIP has the potential to revolutionise the success rate of the diamond drilling. At present, the Warrior, Imperial and Sons of Freedom structures are being pattern drilled on an initial spacing of 100 m by 50 m, with the closing up of the spacing around high grade hits to 25 m x 25 m grid patterns for stope planning. Due to the 30% payability (percentage of high grade areas within the structures) it has meant in the past that 70% of drill holes have not returned information useful for stope design and production planning. The objective of this program is to eliminate approximately 50 out of every 100 drill holes thereby providing planning information at a more rapid rate and enabling better long-term planning well ahead of mining.

HEALTH, SAFETY AND ENVIRONMENT

There were no Lost Time Injuries, significant health issues or reportable environmental incidents during the Quarter.

EXPLORATION

A total of 7,597 metres of core was drilled and 41 holes completed. The amount of drilling was down on the previous Quarter as rigs were diverted to re-opening and cleaning out previous holes to implement the down hole geophysics program.

Mapping, rock chip and sediment sampling continued on the broader regional areas under Exploration Permits.

GATEWAY TAKEOVER OFFER

On 3 July 2009, Cityhood announced an off-market takeover offer for all of the shares in Gateway Mining Limited ("Gateway") (ASX:GML). Citigold offered Gateway shareholders two (2) Citigold shares for each five (5) Gateway shares held.

The offer closed on 5 October 2009. Citigold now holds 46% of Gateway and is the largest and dominant shareholder. Gateway will continue to operate as an independent ASX listed exploration company, and raise its own funding, with its management and staffing structure remaining intact.

Citigold will access the results of Gateway's current activities in due course but there are no plans to make any immediate changes.

Approximately three years ago Citigold became a substantial and the single largest shareholder in Gateway. Gateway is an established gold and base metals explorer with several early stage prime prospects being explored wholly and in joint venture with other companies in New South Wales, Western Australia and Queensland. This is an investment for the future in a true exploration company. Citigold has no capacity, or intention, to itself explore outside of Charters Towers.

Citigold will remain 100% focused on increasing production from the Charters Towers gold field. This acquisition in no way detracts from the Citigold's focus or the importance of the flagship Charters Towers gold project.

CAPITAL RAISING

A share placement capital raising of over \$5.8 million was completed in October. The placement plus on going gold sales continue to support the Company's capital works program that has produced the good results for the Quarter and paved the way for strong growth in gold output in coming Quarters. The company continues to monitor the cash flow and conducts operations accordingly.

At the Australian Gold Conference in Perth this month a representative of Barclays Capital in his address commented "Gold is like digging up US\$ or A\$'s out of the ground, it is like money".

Citigold is keen to dig up its money faster and at a low cost. The fact that governments manufacture their money at such a low cost should ensure that our 'gold' money stays valuable in the years ahead.

Referring to the interest in the oversubscribed private placement, Mr Lynch, the Managing Director stated "*The Company is extremely pleased with the interest shown by international institutional investors and the continued support from local high wealth individuals. I believe this interest reflects a broad confidence in Citigold's management and its strategy for the Company's growing Charters Towers gold operations*".

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")

30 September 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	1,887	1,887
1.2 Payments for (a) exploration and evaluation	(1,617)	(1,617)
(b) development	(2,412)	(2,412)
(c) production	(1,332)	(1,332)
(d) administration	(787)	(787)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(216)	(216)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(4,477)	(4,477)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(58)	(58)
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	(58)	(58)
1.13 Total operating and investing cash flows (carried forward)	(4,535)	(4,535)

1.13	Total operating and investing cash flows (brought forward)	(4,535)	(4,535)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,291	1,291
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(393)	(393)
1.18	Dividends paid	-	-
1.19	Other - (Conversion of Options)	-	-
	- (Issue of Convertible Notes)	-	-
	- (Costs of financing activities)	-	-
	Net financing cash flows	898	898
	Net increase (decrease) in cash held	(3,637)	(3,637)
1.20	Cash at beginning of quarter/year to date	3,846	3,846
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	209	209

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	160
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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,500
4.2 Development	2,000
Total	3,500

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	209	3,846
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)	209	3,846

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	841,786,770	841,786,770		
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 7,395,382	Nil Nil Nil Nil Nil Nil Nil	<i>Exercise price</i> 45 cents 50 cents 37 cents 20 cents 26 cents 50 cents 23 cents	<i>Expiry date</i> 20 November 2009 27 November 2009 14 May 2010 1 March 2011 26 March 2011 10 April 2011 30 April 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: 27 October 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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