

## ANNOUNCEMENT

### Quarterly Activities Report June 2011

**29 July 2011: Brisbane, Australia** – Citigold Corporation Limited (Citigold) (ASX:CTO, FSE:CHP) is pleased to report progress for the quarter ended 30 June 2011 on its operations at the Charters Towers Gold Project.

The highlights for the Quarter include:

- City Mine planning work advances
- 2,311 ounces produced, up on previous quarter
- \$5.375 million raised
- Alliance with Euram Bank Asia
- Board expanded to seven members
- Production planned to increase in 2011
- Major development funding discussions continue

### SUMMARY

Gold production was noticeably higher than in the March Quarter with the focus remaining on the Sons of Freedom gold reef.

At the beginning of 2011 the Company made the biggest change to the board and senior management the company has undertaken since gold production commenced in 2007. After an initial teething period these changes are starting to see a turn around with plans for gold output to grow through financial 2011.

The Board was further strengthened during the quarter with two new members. The Board is now comprised of the following professionals, two (2) mining engineers, a barrister, a bullion trader, an actuary, a master of business administration and an experienced operations and innovations leader.

Citigold continued to advance development funding negotiations with interested partners whilst also working on refining the development and expansion program for both the City and Imperial mines.



## MINE PRODUCTION AND DEVELOPMENT

The Imperial mine area further advanced during the quarter with the opening up of two ore headings and some stoping in the Sons of Freedom (SOF) cross reef.

Underground ore during the Quarter was derived from the two areas in the SOF from the 835 level to the 855 level and from the 875 level to the 885 level. There was a total of 258 metres of level development during the Quarter.

Stoping was from the 850 and 855 stope blocks.



**855 stope drive showing the neat extraction of the gold ore and the favorably strong hanging wall. The Level drive is 3m high and the stope about 1m average height.**

## GOLD PRODUCTION

Gold produced for the June Quarter totalled 2,311 ounces. This represents over a 100% increase on the unusually low previous quarter.

The new management team on site is now past its initial learning curve and is starting to increase production.

Current planning is indicating that production over the next two quarters will continue to trend up which on current forecasting should generate significant cash surplus to move the

company closer to a cash neutral position in the shorter term.

During the Quarter maintenance was carried out on the gold processing plant. The maintenance involved replacing the elution column. This is the part in the process which extracts the gold from the carbon and is near the end of the process just before pouring into gold 'dore' bars.

The average gold sale price received was A\$1,446 per ounce during the Quarter and the average cash cost was A\$799 per ounce. This average cash cost is higher than usual due to the allocation of fixed costs over a small number of ounces. As production increases, the costs are expected to drop to a forecast sub A\$400 per ounce as production increases towards the main goal of 300,000 ounces/year.

Average gold recovery for the Quarter from the ore feed to the process plant remains high, above 95%. Ore feed for the process plant comes from the underground operation as well as low grade stockpiles.

## HEALTH and SAFETY

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

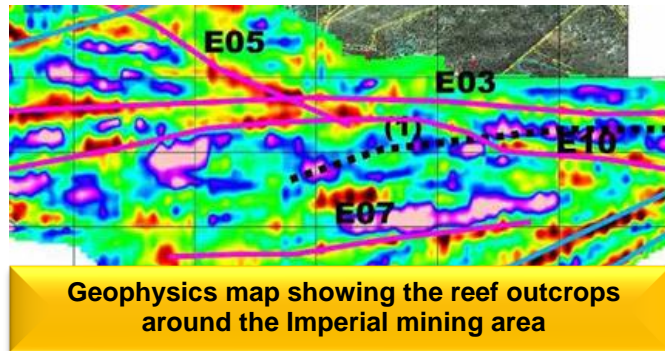
## EXPLORATION

A total of 2,542 metres of core and RC drilling was completed in this Quarter. This included drilling on Geophysical anomalies, shallow drilling for investigation of geotechnical properties and open cut potential, and extension of the Sons of Freedom structure. Mapping, rock chip and sediment sampling continued on the broader regional areas under Exploration Permits.

Citigold has extensive prospective exploration ground holdings at Charters Towers, outside the drilled 10 million ounce gold deposit. The Company is working with its joint venture partner Anhui Geology and Mining Investment Co. Ltd (Anhui) on developing a detailed working plan to explore these outer areas. The exploration is complicated by the Tertiary 'cover' that is over the more interesting rocks underneath. But the rewards could be enormous and the area is highly prospective for gold and base metals. Once this plan is completed the Anhui joint venture, \$30 million exploration program over 5 years, can proceed in earnest.

## GEOPHYSICS

Over the last two years Citigold has been working with Australian and international experts in geophysics utilising the latest data collection and modelling technology to determine a method to identify the highly mineralised zones between drill holes. The Charters Towers reefs are physically very different from the surrounding host rock (fine particle granite) and the high grade gold areas within the reef structures contain large amounts of sulphides (iron and lead). The sulphides are a proxy for the gold and silver. The geophysics techniques conducted from both surface and the underground have shown that they can clearly map the reef structures.



Currently on site geophysics data collection work is being undertaken by Australian consultants. Once this phase of data collection work is completed, in August, Citigold's international expert geophysics modelling consultants will be on site to assist with the ongoing program.

The geophysics program aims to map the high grade gold areas underground as a part of accelerating the mine planning process. Developing a systematic method of mapping the physical properties of the high grade areas for mine planning is aimed at eliminating the estimated 70% of the structure that is not high-grade (not payable), as used currently in the Mineral Resource estimations. This then greatly reduces the required drilling by allowing work to focus solely on the high grade areas. This will also accelerate the conversion of Resources into Reserves. The aim is to create a system that supports the planned growth into a large, long term gold producer.

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## NEW MINING EXPANSION

Citigold is building a large long life gold mine out of its 100% controlled 10 million ounces (23 million tonnes at 14 grams per tonne) deposit as reported to JORC standards. It is anticipated that at production of 300,000 ounces per annum the mine life is over 20 years. This means that after the initial development costs the company will generate large positive cash flows that can be returned to investors as the company does not require additional mine acquisition to maintain production.

Production is currently sourced from the Warrior and Sons of Freedom ore bodies in the Imperial mining area. The Warrior reef is one of five large east-west mineralised structures that run sub-parallel to the historically large gold producing City reefs. Citigold is planning on expanding the operations at Imperial and reactivating the giant City mining area.

The City mining area is already an established mine site and has an overall area, on the surface, of about 16 square kilometres. Citigold undertook the initial exploration and trial mining at the City mining area in the 1990's after acquiring the first part of the Charters Towers goldfield, with full control of the goldfield obtained in 2004. Citigold's mine plan for the design and development work has been undertaken with the aim of producing 200,000 ounces per annum from the City mines. The City includes several major reefs that will form the basis of the 'super mine' where over 3 kilometres of reef strike line will be developed

Planning for the re-commissioning of the City Mine is progressing with a dedicated team of key personal and director involvement to ensure that the planned rapid expansion of production from the City Mine can occur on time and on budget.

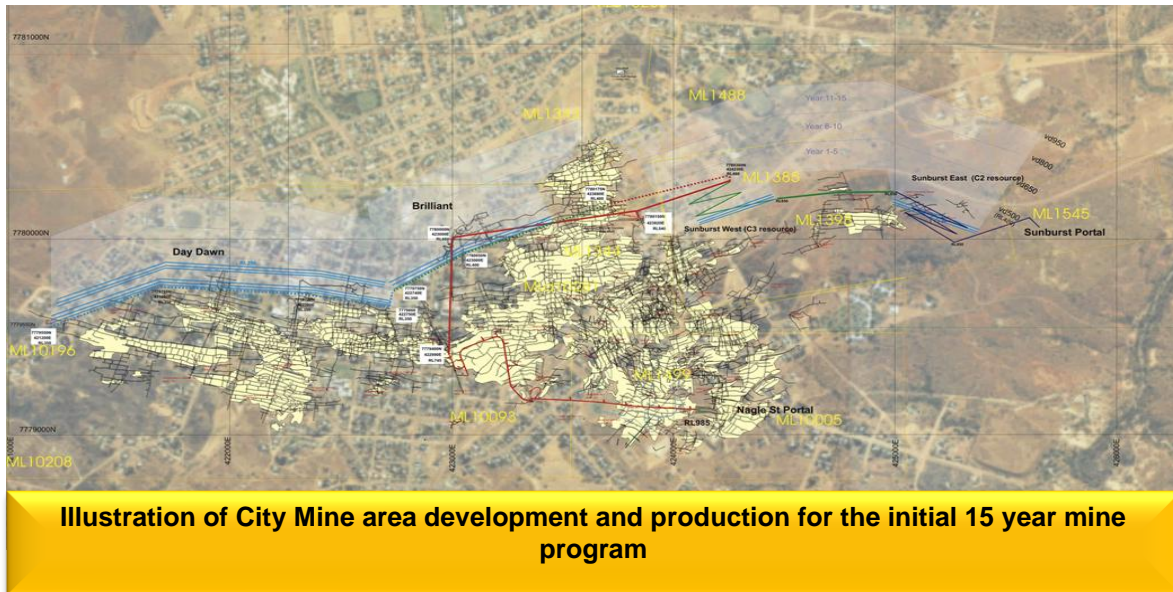
The City Mining area contains four adjacent mining areas identified, as East 1 and 2, Central and West. Although there is an existing decline the site is currently maintained ready to be reactivated. The main access decline needs to be extended almost 4,000 metres to access the Central area almost 700 vertical metres underground before production from all areas of the City Mine can begin.

A main haulage, ventilation and services shaft is to be constructed by reopening an existing shaft in the City mining area. The City Mine has several deep shafts that extend past 700 vertical metres. Opening of one of these shafts greatly reduces the cost compared to developing a new shaft and will result in lower operating costs for the expanded City Mine. Shafts are more energy efficient than the use of diesel trucks in declines.

Citigold believes that valuable knowledge gained at the Imperial Mine and originally through the City underground exploration, can now be efficiently applied to the plan for production growth.



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The new mining extensions require substantial further capital. There is considerable interest by international companies to join Citigold in the development of the Charters Towers goldfield including the City and Imperial mine areas. Citigold is working with several parties who are at various stages of discussions regarding funding opportunities in Citigold.

## BOARD AND MANAGEMENT RESTRUCTURE

The restructure of the Board, completed in mid June, comprised the appointment of two new non-executive Directors bringing the total to seven persons. The two new members are Mr Satish Panchariya and Mr Sanjay Gupta.

Mr Satish Panchariya is an industrialist, financial markets specialist and Managing Director of a listed bullion trading company. His professional focus lies in improving business financial performance and he was previously the Chairman of a regional cooperative bank.

Mr Sanjay Gupta, currently Group CEO of K Sera Sera, has a Masters degree in Business Management. His career spanning over 25 years has been focused around bullion refining and development. He has worked for India's largest trader of metals, MMTC Limited.

The Chairman Mr Foley commented that *"the professional skills in gold and financial markets of the new board members dovetail nicely with that of the existing board. The board looks forward to working together to develop the Company into one of the top Australian gold producers. The new board has a diversified skill set covering all facets a gold developer will require to transform into a producer in today's globalised world."*

The Board is currently working together to see the next stage funding is in place so that the major expansion can commence in earnest.

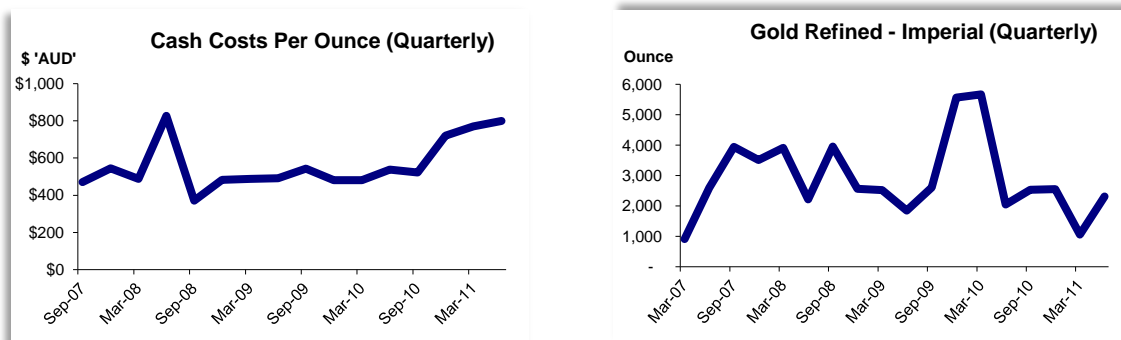
## FINANCIAL

With production anticipated to continue to grow for the remainder of 2011 the company's financial forecasts are showing a cash surplus over the next two quarters which should mean that no additional small capital raisings are required. However a large funding deal may be undertaken to enable the expansion of the Imperial and City mines. This large funding could consist of joint venture, debt or equity, or a combination of these and this will enable the company to expand production whilst the gold price remains strong.

The gold price continues to firm reaching all time records in July 2011. Many are forecasting gold to reach US\$1,700 before the end of 2011 and investor Jim Rogers said in a Bloomberg podcast. *"If gold goes down I'll buy more. The price of gold is going to go much, much higher over the next decade"*. If the gold price increases Citigold receives more revenue per ounce generally resulting in a larger gross margin per ounce. This strengthens the Company's cash position.

With production being low during late 2010 / 2011 cash cost of production has increased, see the chart below. As can be seen in the chart below over the last 4 years the cash cost per ounce has spiked, however it reduces back to the average of approximately \$500 per ounce. It is anticipated that as production continues to ramp up over the next two quarters the cash cost will reduce back below \$550 per ounce.

The chart below titled Gold Refined shows that the company is capable of producing over 5,500 ounces per quarter from the stand-alone Imperial operation in its current state. As the new site based management team continues to make improvements the production per quarter should increase closer to this level.



During the Quarter Citigold raised \$2.187 million from high wealth individuals as well as \$3.375 million from K Sera Sera Holdings Pty Ltd (KSSA).

KSSA is an existing shareholder which, following this successful capital raising, has lifted its shareholding in Citigold to 8.77%. They are an Australian incorporated company ultimately wholly owned by K Sera Sera Ltd of India (KSS). KSS is a publicly listed company quoted on Indian bourses and the Luxembourg Stock Exchange. It has diversified business interests including mining & natural resources, media & entertainment and specialty real estate projects.

These capital raisings further demonstrate Citigold's management's ability to raise capital as required on the basis of an accredited world class gold resource.

## GATEWAY MINING

Gateway Mining, of which Citigold is the major shareholder, continued to advance its exploration projects. The company remains focused on its established exploration areas through direct exploration and joint ventures. The progress of Gateway can be followed on its web site at [www.gatewaymining.com.au](http://www.gatewaymining.com.au).

Citigold continues to maintain its substantial shareholding in Gateway Mining Limited (Gateway) for the purposes of exposure to exploration opportunities outside of Charters Towers. Citigold's efforts remain fully focused at Charters Towers.

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 Inferred Mineral Resource of 10 million ozs (23 Mt @ 14 g/t) with exceptional growth potential.*** (See Report on the Inferred Mineral Resources for full details [www.citigold.com](http://www.citigold.com) - click Mining > Technical Reports .> Mineral 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 a member of the Australian Institute of Geoscientists. Mr Towsey is a consultant geologist. 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, 01/06/10.

Name of entity

CITIGOLD CORPORATION LIMITED

ABN

30 060 397 177

Quarter ended ("current quarter")

30 June 2011

### Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	1,960	10,952
1.2 Payments for		
(a) exploration and evaluation	(1,138)	(4,447)
(b) development	(1,741)	(10,393)
(c) production	(1,791)	(5,600)
(d) administration	(907)	(4,239)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(321)	(859)
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(3,938)</b>	<b>(14,586)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(203)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	386	1,738
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(386)</b>	<b>1,535</b>
1.13 Total operating and investing cash flows (carried forward)	(3,552)	(13,051)

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1.13	Total operating and investing cash flows (brought forward)	(3,552)	(13,051)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	4,821	16,807
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(806)	(3,539)
1.18	Dividends paid	-	-
1.19	Other - (Conversion of Options)	-	-
	- (Issue of Convertible Notes)	-	-
	- (Costs of financing activities)	-	-
	<b>Net financing cash flows</b>	<b>4,015</b>	<b>13,268</b>
	<b>Net increase (decrease) in cash held</b>	<b>463</b>	<b>217</b>
1.20	Cash at beginning of quarter/year to date	257	503
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>720</b>	<b>720</b>

**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	186
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	1,000
4.2 Development	1,500
4.3 Production	1,000
4.4 Administration	700
<b>Total</b>	<b>4,200</b>

### 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	720	257
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Held by Third Parties) Term Deposit	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>720</b>	<b>257</b>

### 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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	<b>1,105,078,301</b>	<b>1,105,078,301</b>		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	<b>37,500,000</b> <b>24,300,000</b> <b>3,000,000</b>	<b>37,500,000</b> <b>24,300,000</b> <b>3,000,000</b>	<b>9 cents</b> <b>9 cents</b> <b>Nil</b>	<b>9 cents</b> <b>9 cents</b> <b>Nil</b>
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<b>3,000,000</b> <b>4,090,000</b>	<b>Nil</b> <b>Nil</b>	<i>Exercise price</i> <b>27 cents</b> <b>30 cents</b>	<i>Expiry date</i> <b>16 October 2011</b> <b>10 December 2012</b>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	<b>6,562,500</b> <b>7,395,382</b>	<b>Nil</b> <b>Nil</b>	<b>50 cents</b> <b>23 cents</b>	<b>10 April 2011</b> <b>30 April 2011</b>
7.11 <b>Debentures</b> <i>(totals only)</i>	<b>Nil</b>	<b>Nil</b>		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	<b>Nil</b>	<b>Nil</b>		

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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: 29 July 2011

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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