

## ANNOUNCEMENT

### Quarterly Activities Report March 2010

**30 April 2010: Brisbane, Australia** – Citigold Corporation Limited (Citigold) (ASX:CTO, FSE:CHP) is pleased to report progress for the quarter ended 31 March 2010 in mine operations at the Charters Towers Gold Project.



The highlights for the Quarter include:

- **Highest quarterly gold production of 5,668 ounces**
- **Average per ounce revenue was A\$1,232**
- **Average cash cost A\$481 per ounce**
- **MOU signed to fund mining of City gold reefs mining**
- **SPP raised \$1 million**
- **Mining commences on Sons of Freedom**

### SUMMARY

The site based management team continues to strengthen production growth with the gold production for the quarter increasing to 5,668 ounces.

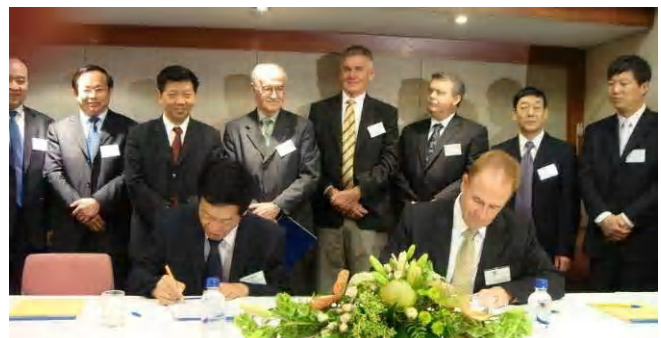
The Quarter also saw the funding for the reactivation of the large City area advance with the signing of a non binding MOU with Jinqu Gold Company Limited, China, to form an incorporated joint venture to develop the City mines of Citigold's Charters Towers gold project.

Ore feed to the mill was from stoping and development ore from the Warrior operation.

The high tech geophysics program continues to add value to the mapping of the underground high grade areas.

### CITY MINES EXPANSION

On 4 March 2010 Citigold announced that it signed a non binding Memorandum of Understanding (MOU) with Henan Jinqu Gold Company Limited (Jinqu), China, to form a joint venture company to develop the City mines of Citigold's Charters Towers gold project. Under the terms of the MOU Jinqu may acquire up to a 50% interest



in the joint venture (JV). The JV will comprise granted mining rights with permits to mine and associated infrastructure containing a gold Mineral Resource of 1.8 million ounces.

The negotiations are advancing with Citigold's Managing Director, Mr Lynch, and Chief Operating Officer, Mr Towsey, visiting Jingu's China mining operations in early April. Jingu's mines are also high grade underground steep dipping gold reefs. Negotiations are continuing towards the next stage.

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. The City reefs JV contains 1.8 million ounces of the overall 10 million ounce resource (23 million tonnes at 14 grams per tonne gold). 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.

Citigold has internally budgeted that the development of the City operations should take 24 months. The development of the City will not negatively impact the separate 100% owned Warrior mine and the existing 340,000 tonne capacity gold processing plant.

The re-establishment of the City 'super mine' is a major part of Citigold's growth strategy and a strong, experienced long term partner will produce benefits for both parties. Additional major capital expenditure on the City mines should result in produce large profitable gold production.

## **MINING OPERATIONS**

### **Ore Production**



During the Quarter ore was hauled from three levels of the WS19 and WS21 panels on the 720, 705 and 695 levels, with additional ore from an upper (closer to surface) 875 Level.

Development driving continued on the 695 Level in the western WS19 and WS21 panels, and on the eastern side of the mine on upper 820 east level.

The underground gold production is still limited by the rate which the high-grade areas are mapped for the mine planning. Drilling and geophysics aims to accelerate this process.

This development scheduling to open up more working faces and stopes is still behind but the rate is improving and the mining team is focused on optimising the pre-mining work so that development and gold output can progress faster. The processing plant still has substantial spare capacity.

The overall Warrior mining area contains an Inferred Mineral Resource of 4.4 million tonnes at 14 grams per tonne, containing 1.9 million ounces of gold. This is a part of

the larger Charters Towers Resource, as illustrated in the technical report on the Company's website.

### **Sons of Freedom Mining**

Mining has now commenced on the Sons of Freedom reef from the existing Warrior workings. The Sons of Freedom was first intersected in the Decline in 2006. The intersection showed very high grades with one channel sample returning 0.2 of a metre true width at 363 g/t (11.6 ounces per tonne). While all other grades are lower it clearly shows that this is another high grade area. The Sons of Freedom is a flatter dipping (~28 degrees) cross reef striking more North-South. It is different from the major East-West main Warrior reef which has a dip of 48 degrees.

Mining was unable to commence on the Sons of Freedom reef until adequate drilling and trial mining had been completed. With the successful completion of mechanised trial mining during the quarter the access was commenced in late March.

The production from this additional area, initially targeting the 850 Level, will assist in providing more ore faces and stoping areas.

### **Gold Production**

Gold production totalled 5,668 ounces for the Quarter, an increase of 2% on the 5,563 ounces for the previous Quarter.

The average sale price received was A\$1,232 per ounce during the Quarter and the average cash cost was A\$481 per ounce.

Currently the Company is both building the mine and operating it. This coupled with the variable gold grades and payability (a normal part of the goldfield) continues to make the predictions of ounces to be produced difficult.

The production is anticipated to increase with step changes expected as the Warrior operation is expanded and the City mining operation is re-activated.

Average gold recovery for the quarter from the ore feed to the process plant remains high. In addition to the gold 3,236 ounces of silver was recovered representing about 50% of the number of gold ounces and 1% of revenue.



### **DEVELOPMENT STRATEGY**

The Company has a substantial gold asset at Charters Towers and wishes to see profitable extraction of the gold on a major scale. The Company has invested over \$160 million to acquire and develop the goldfield. Obtaining control of this large and unique gold asset was done cost efficiently and this benefit resides in the Company for shareholders.

Over the last few years Citigold has invested considerable time and resources to understand the Charters Towers reefs and apply the most effective mining method. Maintaining a low cost focus has sometimes meant that it has taken longer than desired.



Commercial extraction of gold is underway as the Company continues to develop the goldfield towards a targeted 300,000 ozs per year. Citigold believe the valuable knowledge gained at Warrior and originally through the City underground exploration, can now be efficiently applied to the production growth.

Growth requires substantial further capital and Citigold considered various methods to fund this growth. With the debt markets still essentially 'broken' the project equity or ownership path are the viable options. The decision for the major part of the funding to be by the joint venture path is considered in the best interest of shareholders for several reasons.

Unlike some deposits it is possible to operationally isolate specific parts of the goldfield for a separate joint venture. The joint venture can then share parts of the existing infrastructure that can provide

benefits to all. Through a JV the new partner should equally make very substantial profits by providing the development funding.

A JV brings in funding, skills and a shared goal of profitable gold production. Under the current proposal Citigold still plans to retain ownership to 90% of the goldfield's defined gold Resource and mineral lands. As the City comes into production Citigold will be able to invest more funds into drilling the undrilled parts of the goldfield and thereby aim to grow the gold resource above the current 10 million ounces. There is considerable potential for Citigold to expand its gold resources and reserves with an upside potential exploration target of 50 million ounces of gold, based on undrilled repeats of known mineralised veins. This process will require hard work, extensive drilling and application of the best technology and practices.



Citigold's mineral rights at Charters Towers total over 600 square kilometres. The specific mineral tenure is set out in the 2009 Annual Report and comprises 26.5 square kilometres of Mining Leases, 70 square kilometers of Mineral Development Licenses and Applications and over 500 square kilometres of Exploration Permits Minerals and Applications.

While Citigold has a targeted production goal of 300,000 ounces a year, some 100,000 ounces of this is currently envisaged to move to a JV partner. But the new areas that Citigold will be drilling and mining itself, separate from the JV, means that the 300,000 ounce target for the Company is still possible. As overall goldfield output increases the Company will look at the feasibility of producing above this level.



The Managing Director, Mr Lynch, whose family are substantial shareholders, commented *"It was reported that in January 2010 the implied valuations on 26 senior gold companies across various jurisdictions gave an implied average valuation, for gold in the ground, of US\$238 per gold resource ounce and US\$ 453 per gold reserve ounce. This figure is the market capitalisation value of a company (shares on issue x share price) divided by the publicly reported resources and reserves respectively. Therefore, while we have a lot of work still to do I believe that over time the valuation upside potential for us Citigold shareholders is substantial"*.

## HEALTH, SAFETY AND ENVIRONMENT

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

## EXPLORATION

A total of 6,836 metres of core was drilled in this Quarter and 25 holes completed. Additionally, some of the diamond drill rigs were used during the quarter to re-open and clean out previous holes in order to continue to refine the down hole geophysics test work. This significantly lowers the cost of completing this test work.

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 on developing a funding strategy to advance these 'outer areas' that are prospective additional mining areas highlighted by geological sampling and mapping.

## GEOPHYSICS



With considerable in drill hole data collection work completed the quarter was spent reviewing the previous results and techniques. The data to date is providing encouraging results and the Company seeks to ensure the on going geophysical test work advances in an efficient and effective manner.

The geophysics program aims to assist detailed mapping of the high grade gold areas underground as a part of accelerating the mine planning process. The use of

geophysics in this way seeks to define the boundaries of the high grade gold areas more efficiently than through drilling alone.

Local and international experts provide input into the program that seeks to map the gold associated sulphide mineralisation between the drill holes. Currently the focus is on improving the modeling of the data collected.

## **CORPORATE**

### **New Citigold Website Coming Soon**

The Company will be launching it's new website in May 2010. The new Citigold website will host a new look and act as a gateway to your information needs. The ease of navigation of the site is further improved. The good functionality and speed of the site is being maintained.

The site improvements include suggestions from shareholders. This input is encouraged and appreciated.

### **Capital Raising**

On 31 March 2010 Citigold announced that the shareholder only capital raising closed with applications of \$1 million from over 225 shareholders subscribing for a total of 8,300,121 ordinary shares. It is encouraging to see that the current share price as of close of market on 28 April is trading at a premium to the SPP issue price of over 16.5%. The Company is pleased with the interest shown by investors in the capital raising and the funds will assist in advancing the Charters Towers gold operations.

This Quarter resulted in a positive cash flow from operations at Charters Towers for the first time since operations began at Warrior. This is a positive step in the on going development of the gold field.

The Company remains free of bank debt and has been progressing towards a positive cash flow. Overall Citigold has achieved the development of the large Charters Towers gold deposit through efficiency of expenditure at each stage. The Company believes that minimisation of operating and capital cost is important.

### **Gold Price**

Our observation is that gold continues to perform its traditional investment role as a store of value when the purchasing power of major currencies is under threat as witnessed by the all time new highs of gold in Euro and Sterling during April.

In US dollar terms gold price is set to remain strong evidenced by the recent forecast from a global investment bank stating that they expect the gold price to average US\$1350 per ounce in 2011. At this time the Australian dollar is also strong so the current selling price received is well below the 2009 all time high of A\$1,550 per ounce.



With a strong overall gold price outlook Citigold believes now is the ideal time to advance the project and reactivate the City operation so that shareholders can benefit from the expected substantial cash flows.

## **ASX Guidance**

The ASX stock exchange provided guidance to listed companies on 11 January 2010 on how they expect variation to forecasts to be treated; outlining that where the change is greater than 15% to forecasts an announcement prior to quarterly report would be required. While our mining operations are in the development stage changes greater than this are a normal feature of the geology.

The geology at Charters Towers is understood and therefore variations are normal for us but nature cannot be made to fit unnatural limitations. In geology there are accepted tolerances for error or natural variations in the assaying of the drill core of +/- 15% and the Resource confidence is approximately 80%. Therefore Citigold's production forecasts may vary naturally by at least 20% each quarter because of the unique geology.

Additionally large quantities of fine gold are contained in relatively small areas (as seen on the 720 drive where the highest grade sampled in the drive was 1030 g/t). This uneven distribution of the gold in the reefs, the 'payability', can result in unexpected variations in ounces extracted from an area, plus and minus, and is normal.

Therefore to determine the quarterly production to the new 15% statutory tolerance is unrealistic at this early stage of the Company's large scale development and, as a result, runs the risk of costly and time consuming inquiries by the ASX on matters where the company has clearly complied with the intent of the Listing Rules and Corporations Act.

As such all previous forecasts are removed and the company will not at this stage be providing guidance on quarter or yearly production targets. As the overall production grows and more working areas are established it is expected that gold production will become more even and guidance may then be provided.

## **Institutional Shareholdings Increase**

Investment institutions appear to have increased their positions on the Citigold share register since the beginning of the quarter. While nominee holdings are not necessarily related to the holding name, they appear to generally represent companies or funds and these holdings now represent about 14% of the current shares on issue.

It is encouraging to see that more and more investors are taking the time to better research Citigold and deciding to join or increase their on market shareholdings. Citigold management has a strategy in place to expand the gold defined deposit and mine the gold for the benefit of all shareholders.

## **NASDAQ Dubai Secondary Listing Ends**

As of 21 March 2010 the shares in Citigold were removed from trading on the NASDAQ Dubai stock market at the Company's request. As a part of the efficiency focus of Citigold's Board and management the Company has removed its shares from the Nasdaq Dubai stock market. The exchange has not expanded as expected and suffers from poor liquidity and high costs. Also just prior to the announcement that Citigold would be delisting there was less than 1% of Citigold issued shares held there with the majority of Dubai based investors choosing to hold their stock on the ASX. This change has no effect on Citigold's primary listing on the Australian Securities Exchange

(ASX), under the ASX code CTO or the quotation on the Frankfurt stock exchange in Germany.

## Gateway Mining

Gateway Mining, of which Citigold is the major shareholder, continued to advance its exploration projects with an RC drilling programme advancing and geophysics work completed on its exploration tenements in Western Australia. The company continues to remain focused on its established exploration areas through direct exploration and joint ventures. The progress of Gateway can be followed on their web site at [www.gatewaymining.com.au](http://www.gatewaymining.com.au).

We thank all shareholders for their continued support and will work diligently to further progress the growth of the business through 2010.

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 planned growth to 300,000 ozs per year with gold production cash costs under A\$350 per oz. (See [www.citigold.com](http://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 March 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	7,281	15,233
1.2 Payments for (a) exploration and evaluation	(1,549)	(4,834)
(b) development	(1,543)	(6,695)
(c) production	(2,648)	(6,571)
(d) administration	(845)	(2,620)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(376)	(837)
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>320</b>	<b>(6,324)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(32)	(124)
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)	-	-
<b>Net investing cash flows</b>	<b>(32)</b>	<b>(124)</b>
1.13 Total operating and investing cash flows (carried forward)	288	(6,488)

1.13	Total operating and investing cash flows (brought forward)	288	(6,448)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,018	6,516
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(1,109)	(2,766)
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>(91)</b>	<b>3,750</b>
	<b>Net increase (decrease) in cash held</b>	<b>197</b>	<b>(2,698)</b>
1.20	Cash at beginning of quarter/year to date	951	3,846
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>1,148</b>	<b>1,148</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	136
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

### 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
<b>Total</b>	<b>3,500</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	1,148	951
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>1,148</b>	<b>951</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			

### 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>908,565,634</b>	<b>908,565,634</b>		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	<b>8,300,121</b>	<b>8,300,121</b>	<b>12 cents</b>	<b>12 cents</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>1,330,357</b> <b>2,000,000</b> <b>15,384,615</b> <b>6,562,500</b> <b>7,395,382</b> <b>3,00,000</b>	<b>Nil</b> <b>Nil</b> <b>Nil</b> <b>Nil</b> <b>Nil</b> <b>Nil</b>	<i>Exercise price</i> <b>37 cents</b> <b>20 cents</b> <b>26 cents</b> <b>50 cents</b> <b>23 cents</b> <b>27 cents</b>	<i>Expiry date</i> <b>14 May 2010</b> <b>1 March 2011</b> <b>26 March 2011</b> <b>10 April 2011</b> <b>30 April 2011</b> <b>16 October 2011</b>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
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>		

### *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 April 2010

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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