



ANNOUNCEMENT

Citigold Corporation Limited
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Half Yearly Report 31 December 2016

15 March 2017: Brisbane, Australia – Citigold Corporation Limited (“Citigold” or “Company”) (ASX:CTO) is pleased to provide the Half Year Financial Report for the period ending 31 December 2016.

Citigold Corporation Limited is an Australian based gold mining, development and exploration company developing and operating Australia’s highest grade major goldfield at Charters Towers, Queensland.

- The loss after tax for the Group during the half-year was \$4,274,690 (2015 \$5,666,590 loss).
- Activities during the period were directed toward finding a strategic partner to assist developing the Group’s Charters Towers Gold Project and advancing that project.
- Continued planning for the development of the Charters Towers Project centered on the Central Mine being an ultra-low cost producer of gold.
- Capital raisings of \$647,000 occurred during the 6 months for working capital, which confirms the continued support of investors and shareholders of the Company.
- Post balance date Citigold announced that it has entered into a binding “Gold Sale Agreement” for a sale of up to 100,000 ounces of gold, with the gold sold deliverable over the next 5 years. This sale of gold, if fully drawn by the purchaser, is expected to over time bring in circa \$100 million to Citigold at prevailing gold prices.
- Other additional major complementary project funding discussions continued with potential interested strategic partners.
- The Queensland Department of Environment and Heritage (DEHP) has approved the new 5 year Plan of Operations advising it is effective to 31 October 2021.
- Mineral Resources and Ore Reserves remain unchanged during the period with Probable Ore Reserves of 620,000 ounces of gold (2.5 million tonnes at 7.7 grams per tonne gold) and Inferred Mineral Resources of 11 million ounces of gold (25 million tonnes at 14 grams of gold per tonne). For full details see Technical Report 2012*
- As previously announced, Citigold has changed it’s registered and corporate office in order to reduce corporate administration costs and this is part of the Company’s future outsourced contractor based business model.

For full details please read the following Half Year Report.

Mark Lynch – Executive Chairman

Or visit the Company’s website – www.citigold.com

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.



HALF YEARLY REPORT 31 DECEMBER 2016

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Corporate Directory

CORPORATE OFFICE & PRINCIPAL PLACE OF BUSINESS

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REGISTERED OFFICE

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CHARTERS TOWERS MINE SITE

Clermont Highway, PO Box 10,
Charters Towers, QLD, 4820, Australia

DIRECTORS

Mark Lynch (Executive Chairman)
John Foley (Non-Executive Director)
Arun Panchariya (Non-Executive Director)
Dr Sibasis Acharya (Non-Executive Director)

COMPANY SECRETARY

Niall Nand

EXCHANGE LISTING

Australia (ASX) Code 'CTO'

SHARE REGISTRY

Computershare Investor Services
117 Victoria Street,
West End, QLD 4000
Telephone: 1300 850 505

AUDITOR

KS Black & Co
ABN 48 117 620 556
6 / 350 Kent Street
Sydney NSW 2000

BANK

Westpac Banking Corporation Limited

DIRECTORS' REPORT

The Directors of Citigold Corporation Limited submit herewith the financial report for the half year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the half year are:

Mr M Lynch (Executive Chairman)

Mr J Foley (Non-Executive Director)

Mr A Panchariya (Non-Executive Director)

Dr S Acharya (Non-Executive Director)

Company Secretary:

Mr N Nand

REVIEW OF OPERATIONS

Citigold Corporation Limited is an Australian based gold mining, development and exploration company developing and operating Australia's highest grade major goldfield at Charters Towers, Queensland.

- The loss after tax for the Group during the half-year was \$4,274,690 (2015 \$5,666,590 loss).
- Activities during the period were directed toward finding a strategic partner to assist developing the Group's Charters Towers Gold Project and advancing that project.
- Continued planning for the development of the Charters Towers Project centered on the Central Mine being an ultra-low cost producer of gold.
- Capital raisings of \$647,000 occurred during the 6 months for working capital, which confirms the continued support of investors and shareholders of the Company.
- Post balance date Citigold announced that it has entered into a binding "Gold Sale Agreement" for a sale of up to 100,000 ounces of gold, with the gold sold deliverable over the next 5 years. This sale of gold, if fully drawn by the purchaser, is expected to over time bring in circa \$100 million to Citigold at prevailing gold prices.
- Other additional major complementary project funding discussions continued with potential interested strategic partners.
- The Queensland Department of Environment and Heritage (DEHP) has approved the new 5 year Plan of Operations advising it is effective to 31 October 2021.
- Mineral Resources and Ore Reserves remain unchanged during the period with Probable Ore Reserves of 620,000 ounces of gold (2.5 million tonnes at 7.7 grams per tonne gold) and Inferred Mineral Resources of 11 million ounces of gold (25 million tonnes at 14 grams of gold per tonne). For full details see Technical Report 2012*
- As previously announced, Citigold has changed its registered and corporate office in order to reduce corporate administration costs and this is part of the Company's future outsourced contractor based business model.

Mine Development, Production and Geology

The underground mining operations at the Company's Charters Towers 'Central' and 'Imperial' mining areas, together with the processing plant, remained on active care and maintenance during the period. No gold production operations were undertaken during the period.

Resumption of mining at Charters Towers is contingent on capital financing, but active planning and scheduling continued during the period in readiness. The main Central Mine underground is the first area planned to be reopened and is scheduled to expand into a 220,000 ounce annual producer of gold once funding is finalised. An outline of the mining plan for the Central Mine has been given in previous reports. The early development plan is, in summary:

- The Central Decline (access tunnel) is to be extended from its current point at a vertical depth of 201 metres from surface to initially junction again with the Brilliant Block Shaft at a vertical depth of 238 metres for fresh air intake, and then continue some 700 metres roadway length to the King Shaft, intersecting it at a vertical depth of 585 metres.
- The first gold reefs (lodes) scheduled to be opened are the C03W, C38 and C39 and then move on to C05E. Access tunnels (ramps and crosscuts) to the C03W, C38 and C39 will come off the Central Tunnel extension, and gold reef access tunnels (drives) will be driven at nominal 20 meter vertical levels along the length of the reefs to provide closely-spaced grade control samples.
- Gold ore extraction (stoping) will commence once these levels are developed and the King Shaft ventilation and emergency second exit (egress) are established.

Project Assessment Process

Citigold has a deep and informed knowledge of the assets, which was taken into account in assessing the project's future growth building upon the existing developed infrastructure and \$200 million investment to date. A detailed and comprehensive Technical Report dated 18 May 2012 was prepared, listing the Mineral Reserves and Ore Resources of the Charters Towers Gold Project (Project). This report, in compliance with JORC reporting requirements, was prepared in the format of the Canadian NI 43-101 report because it conforms to a very detailed and structured format to the report. This report was able to draw upon the technical and operational information from the project's trial mining operation by Citigold. This information was a strong foundation to build into the go-forward development plan to see the project, once funding is finalised, grow to a 220,000 ounce per year producer with low operating costs. Some of the mining and economic factors considered and assessed were:

- (a) property description and location;
- (b) geological factors in detail;
- (c) types of mineral tenures and identifying numbers already granted and production ready;
- (d) mineral processing and metallurgy including the processing plant which is built, established and has previously operated successfully;
- (e) mineral resource estimates, wherein among other things a discount of 70% of the overall tonnage of the pre-mineral resource estimate was applied. Further to this, in the business and development plan used by Citigold, there is a further discount of 30% applied to gold resource figures in converting to minable ounces. This produced a very conservative estimate of gold ounces to be recovered in the determination of the revenue for the Project;
- (f) mining methods including processing, development capital costs, production schedule, operating costs and gold price;
- (g) recovery methods;
- (h) project infrastructure on surface is essentially already built;
- (i) market studies and contracts;

- (j) environmental studies, permits and social or community impact with a successful long-term harmonious relationship with the local community already developed;
- (k) capital and operating costs derived from actual mining from 2006 to 2014, and;
- (l) economic analysis.

With this solid data foundation to build on, the remaining project funding will be mainly used for underground development of the Central mine.

Currently, once the project funding is in place, the lead time is estimated at 10 months to initial gold production. Production is then planned to grow, in general terms, by 50,000 ounces extra each year over the next four years to the total target 220,000 ounces of gold.

Geology and Exploration

No new exploration drilling was undertaken during the period, with staff focused on consolidating geological data including surface and drill hole samples in preparation for the upcoming period of mine planning together with intensive exploration and expansion of both its inferred and indicated resources.

Citigold has continued to develop the new data capture and interrogation system in anticipation of the initiation of drilling in 2017.

This same open minded efficiency driven approach is also producing results through work by using Adrok ADR innovative geophysics techniques that have been tailored and proven very suitable to our particular gold mineralized system at Charters Towers.

Citigold geologists previously found that eight trial scans in three selected target areas all successfully “imaged” the presence of gold and sulphides in recent analysis. This analysis of past collected ADR data, proving the technique to be reliably successful in the identification of mineralisation, returned no false anomalies giving confidence to use this technique as a pre-drilling target definition tool. This will aid the move to early gold production.

Overall, our innovation program in mining and exploration is driven by finding what is useful and works at Charters Towers, rather than what is applicable across the industry.

Financial Result

During the period, Citigold incurred a net loss of \$4.27 million, compared to \$5.67 million for the same period last year. A major cost for the period was financing costs of \$2.82 million.

There was no revenue from gold mining sales in the period.

Net assets are \$88.77 million. The main asset of the Company is the Charters Towers Gold Project comprising the defined 11 million ounce gold deposit and the major developed infrastructure. This infrastructure includes granted Mining Leases, two underground mine accesses to over 200 vertical metres depth, 340,000 tonne per year gold processing plant, power, water, roads etc. The infrastructure owned by the Company is represented in the \$110.7 million capitalised Exploration, Evaluation and Development expenditure including the Development Property, Land and Buildings and Plant and Equipment. Carrying values remain essentially unchanged from 30 June 2016.

In preparing the financial report for this half year the Board reviewed the values of assets (carrying amount) and in particular the Property, Plant and Equipment (PPE) comprised principally of the Charters Towers Gold project assets. This review considered the value of assets by discounting estimated future cash flows using appropriate discount rates and other industry value measures. The Board considered the cash flows and assumptions used in calculations prepared by management and experts for material assets, bearing in mind our knowledge of the business, the assets, the environment in which the Company operates, and the future prospects of the business. Citigold and the Board have deep and informed knowledge of the assets. Therefore the Board considered whether the impairment should be removed and decided to conservatively hold the value at \$110.7 million.

The Board conducted a review of the fair value of its assets and had the expertise internally of its Chief Scientist and of independent expert valuations that had previously valued the project assets. All of these

values were substantially above the current carrying value. In addition the Board reviewed the assumptions underlying the various assessments and found that they were all valid and there had been no material negative changes. In all the material data used in the assessment only the timing of the capital injection to advance the project needs to be completed. This does not materially alter the value and with current knowledge we expect that to be fulfilled in the coming period.

Post balance date, 13 March 2017, Citigold announced that it had entered into a binding “Gold Sale Agreement” for the sale of up to 100,000 ounces of gold, with the gold sold deliverable over the next 5 years. This sale of gold, if fully drawn by the purchaser, could bring in circa \$100 million to Citigold at prevailing gold prices. At the current planned gold production profile the 100,000 ounces represents circa 20% of the planned first 5 year gold production. With operating costs estimated to be circa one third of gold revenue, at current prices, there is substantial cost safety margin for the Company to profitably deliver the gold within the period.

As previously advised the Company is in funding discussions with potential interested strategic partners and the Company expects these will continue as additional complementary discussions to further financially enhance the Company’s growth.

The commercial negotiations between Citigold and Fortune Gems and Jewellery DMCC were ongoing in relation to the redemption date of the redeemable notes, and our long term relationship, with further commercial negotiations underway.

During the period, capital raising of \$647,000 occurred for working capital, which confirms the continued support of investors and shareholders of the Company. The Company expects major inwards cash flow through the sale of gold progressively over the next 12 months expected to total circa \$100 million.

Additionally, if required, further funds for working capital in keeping with previous practice or share placement, short term loans (both unsecured and secured) have been used by Citigold in the past year and are also under negotiation and consideration.

There was no dividend declared for the period.

Health, Safety and Environment

There were no Lost Time Injuries or significant health issues during the half-year.

There were reportable test results during the period relating to elevated sulphate levels in water monitoring bores in a small area of the project. It is a minor issue that has been monitored since 1998 and considered to be a natural part of the local geology. It has been researched and assessed by the Company and its consultants to not cause environmental harm.

During the period the sites were actively maintained. The Company’s mine sites have been established so as to have the minimal land surface area thereby minimizing surface impact.

A replacement Plan of Operations, as required under Queensland environmental legislation, has been accepted by the Department of Environment and Heritage covering a 5 year period. This replaces the prior 2 year plan. The replacement plan is in effect until 31 October 2021.

Outlook

It is expected that the proceeds of the gold sales and other capital raisings will be adequate to move the Charters Towers Gold project towards profitable gold production in accordance with the business plan.

Citigold has a strong gold asset foundation and over many years has been building on this towards becoming a large and profitable gold producer. We believe that once the major funding is finalised, the realisation of becoming a large ultra-low cost gold producer is realistic and reachable.

With the continued strong support from its shareholders, the Board and management are looking forward to the period ahead and the ability to report on Citigold’s successes.

* The Technical Report 2012 see <http://www.citigold.com/mining/technical-reports>

SUMMARY OF MINING TENEMENTS & AREAS OF INTEREST as at 28 February 2017

The Consolidated Entity has a 100% control of the following mining tenements at Charters Towers:

Exploration Permit Minerals

EPM 15964 / EPM 15966 / EPM 16979 / EPM 18465 / EPM 18813 / EMP 18820

Minerals Development License

MDL 118 / MDL 119 / MDL 252

Mining Lease

ML 1343 / ML 1344 / ML 1347 / ML 1348 / ML 1385 / ML 1387 / ML 1398 / ML 1407
ML 1408 / ML 1409 / ML 1424 / ML 1428 / ML 1429 / ML 1430 / ML 1431 / ML 1432
ML 1433 / ML 1472 / ML 1488 / ML 1490 / ML 1491 / ML 1499 / ML 1521 / ML 1545
ML 1548 / ML 1549 / ML 1585 / ML 1586 / ML 1587 / ML 1735 / ML 10005 / ML 10032
ML 10042 / ML 10048 / ML 10050 / ML 10091 / ML 10093 / ML 10193 / ML 10196 / ML 10208
ML 10222 / ML 10281 / ML 10282 / ML 10283 / ML 10284 / ML 10285 / ML 10335

The Financial Report for the Half Year Ended 31 December 2016 does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that this report be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Citigold Corporation Limited during the half-year to 31 December 2016 in accordance with the continuous disclosure requirements of the Listing Rules of the ASX.

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.*

COMPETENT PERSON STATEMENT

In accordance with ASX Listing Rules and the JORC Code 2012 Edition, 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 and was an Executive Director of Citigold in April 2014 to June 2016. He has the relevant experience in relation to the mineralisation being reported on to qualify as a Competent Person as defined in the 2012 Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, 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. The Report on the Mineral Resources and Ore Reserves of the Charters Towers Gold Project dated May 2012 can be found at <http://www.citigold.com/mining/technical-reports> and is referenced by Citigold in its public statements.

The following Appendix 1 is inserted in accordance with ASX Listing Rules and the JORC Code 2012 Edition.

APPENDIX 1

No new drilling was done in the last six months or reported here. Below are the notes to accompany the discussion of exploration.

Section 1 Sampling Techniques And Data		
Criteria	Explanation	Accompanying statement
Sampling techniques	<ul style="list-style-type: none"> • Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. • Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> • The Charters Towers area has been sampled by a mixture of diamond (HQ and NQ2) and RC drill holes for the purpose of identifying the location of mineralised structures and for identifying potential for mineralisation on these structures and for down-hole (DH) geophysics. • HQ / NQ core is typically cut in half (50%) using a diamond saw (100% of core recovered) and half or in some instances 1/4 (25%) of the core is submitted for analysis. Only HQ-size drill core is used for quarter core samples. • RC drilling was sampled on 1m intervals or through sections where mineralisation was known to occur. RC results are not reported here. • Due to the "narrow vein" style of mineralisation found at Charters Towers, the maximum HQ / NQ sample interval is 1m & minimum sample interval 0.1m. • Zones of mineralisation are defined by sericite, chlorite and epidote alteration of granite surrounding narrow, but high grade quartz veins containing sulfides, other gangue minerals and gold. Samples are taken from the mineralised zone and on either side of the mineralisation into unaltered granite. • Sampling methods follow guidelines and methodologies established by Citigold throughout its mining and exploration history. These methods are described in detail in the 2012 Mineral Resources and Reserves Report which can be found on the company's website (www.citigold.com click Mining >Technical Reports >Mineral Resources and Reserves 2012).
Drilling techniques	<ul style="list-style-type: none"> • Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> • Most diamond drilling has been 63.5mm diameter HQ core, although some NQ2 core has been drilled. RC pre-collars have been used for some drill holes where drilling was aimed at defining the location for the fracture. NQ2 drill core was typically used for the diamond tails on RC pre-collars. • Downhole surveys have been taken at a minimum of every 50m down hole. • 60mm PN12 PVC piping has been inserted into many holes to accommodate the DH geophysics tools and to maintain the internal integrity of the holes in case of further surveying requirements. • Contractors used for drilling previously include Eagle Drilling, Dominion Drilling, WAR NQ and Weller Drilling. All drilling was completed under contract to Citigold. • Core orientation was only carried out on drilling

		taking place in the central area (CT9000).
Drill sample recovery	<ul style="list-style-type: none"> • Method of recording and assessing core and chip sample recoveries and results assessed. •Measures taken to maximise sample recovery and ensure representative nature of the samples. •Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> • The core is marked up and measured by senior field assistants and geologists under the guidance of the senior geologist. Core recovered (CR) is compared with the metres drilled (MD, recorded by the drillers in their shift record) and a 'core recovery' percentage is calculated; $CR/MD \times 100 = \% \text{ recovered}$. All data is recorded within the Citigold database where it is checked by senior geologists. • Drilling is mostly within competent granitic rock where core loss is minimal. However, in areas where high degrees of alteration and associated mineralisation occur, some core loss is expected and subsequently recorded. Accordingly, it is possible that some fine gold within clay could have been lost during drilling.
Logging	<ul style="list-style-type: none"> • Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> • 100% of core was logged. Samples were collected from intercepts where alteration or alteration and mineralisation were clearly seen. The nature of the orebody is such that mineralisation or potentially mineralised structures are easily identified. Selected RC samples were geologically logged and sampled. • The logging describes the dominant and minor rock types, colour, mineralisation, oxidation, degree of alteration, alteration type, vein type, core recovery, basic structure. • Rock Quality Designation or RQD % has been noted in the core drill logs (also number of fractures per interval has been noted).
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling • Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> • Core is sawn in half and one half (50%) is submitted for analysis at SGS labs in Townsville (QLD, Australia). • Selected core (as listed in associated tables) is cut for 1/4 core (25%) and submitted for analysis at SGS labs in Townsville (QLD, Australia). • The 25%-50% sampling of the HQ core is considered appropriate for the mineralisation type. NQ core is sampled for 50% only. • Samples are couriered to SGS where they are dried at 105C; weighed; crushed to – 6mm; and pulverised to 90% passing 75um where a 200 g sub-sample is taken. 5% of samples are dual sub-sampled (second split) for sizing and analytical quality control purposes. <p>Fire assay: 50 g of sample is added to a combustion flux and fired at 1000 C; the resultant lead button is separated from the slag and muffled at 950C to produce a gold/silver prill; the prill is digested in aqua regia and read on an AAS.</p> <p>ICP40Q: A 0.2g sub-sample is digested using nitric / hydrochloric / perchloric/ hydrofluoric acids; the diluted digestion product is then presented to a Perkin Elmer 7300 ICP AES for analysis.</p> <p>Quality Control: second splits (5% of total); 2 in 45 sample repeats; and 2 CRM standards for each rack of 50 samples are analysed in all methods</p>

Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> • Citigold uses standards sourced from Gannett Holdings Pty Ltd, Perth, Australia. Certificate number 13U20C-22-04-13. • A blank sample and/or a standard sample and/or a duplicate sample are randomly inserted approximately every 30 samples that are submitted. • SGS Townsville have their own rigorous 'in lab' QAQC procedures and are accredited for precious metal and base metal analyses. • A complete discussion on assay techniques, sample sizes, assay variance and sample bias can be found in the Citigold 2012 Mineral Resources and Reserves report.
Verification of sampling and assaying	<ul style="list-style-type: none"> • The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> • Selected samples are submitted to other labs, including Citigold's on-site lab) to check for consistency, accuracy and as a second means of obtaining a result. • Some strongly anomalous holes have been resubmitted for assay. • No twinned holes were completed by Citigold in 2015, however, prior exploration has engaged diamond drilling as a means of checking anomalous RC drilling and to confirm the precise depth of the mineralised structure. • All drill holes are logged into laptop computers and checked before entering into database. Criteria have been established so that erroneous or incorrect characters within a given field are rejected thereby reducing the potential for transfer error. All logs are reviewed by the senior geologist. • All samples logs are recorded onto paper and assigned a unique sample number once cut. The sample and other details are entered into the Citigold database. • All significant intercepts are checked against the remaining core, checked for corresponding base metal grades and assessed for geological consistency.
Location of data points	<ul style="list-style-type: none"> • Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. -Quality and adequacy of topographic control. • Data spacing and distribution-Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied. 	<ul style="list-style-type: none"> • Citigold uses a combination of grids including a local mine grid and AMG AGD66 Zone 55 which closely approximates the local mine grid. • Drill hole collars are surveyed using a Leica Viva Real Time Kinematic (RTK) Differential GPS system with a fully integrated radio, allowing for data capture in three dimensions at an accuracy of +/-25mm over baselines within 5km radius of the base station. • All coordinates are provided in AMG AGD66 unless otherwise stated. • Citigold uses a geo-registered 50cm pixel satellite photograph acquired in September of 2013 as a secondary check on the spatial location of all surface points. • Down-hole (DH) surveys are obtained using either a Ranger or Camteq downhole survey instrument. Survey tools are checked in Citigold's base station (a precise DH camera alignment station) prior to drilling holes over 800m or

		<p>approximately every 4-5 holes in other circumstances. DH geophysics are obtained from most drill holes at which time the holes are often re-surveyed with a Camteq Proshot acting as a secondary check of the original survey.</p>
Data spacing and Distribution	<ul style="list-style-type: none"> • <i>Data spacing for reporting of exploration results</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> • <i>Whether sample composting has been applied.</i> 	<ul style="list-style-type: none"> • Drill hole spacing and orientation is currently constrained by the requirements for DH geophysical surveying. Approximately 80m between points of intercept are planned, however; the nature of the structure may require alterations to the spatial pattern of holes. • Drill hole spacing in the E05 area is aimed at intercepts no further than 50m apart. No Resources or Reserves are presented here. A full description of Citigold's Mineral Resources and Reserves can be found in the 2012 Mineral Resources and Reserves Report (www.citigold.com - click Mining >Technical Reports >Mineral Resources and Reserves 2012).
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> • Drill holes are planned to intercept the mineralised structures (average 45 degree dip) at high angles. The presence of infrastructure and other features on the landscape prevent all holes from intercepting perpendicular to the structure. Typically, holes will be drilled in a fanning pattern with intercepts at no less than 60 degrees to the mineralised structure. True widths are determined only after the exact geometry of the structure is known from multiple drill holes. • Holes intercepting at angles of less than an estimated 60 degrees are reported as such. • Lode-parallel drill holes have been completed by Citigold. However, these holes are specifically designed for geophysics and are not reported.
Sample security	<ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> • All drill core is stored within locked yard guarded by contracted security. • Samples are delivered by Citigold staff to SGS and/or by registered courier. • Standards are retained within the office of the chief geologist and only released under strict control. • The chain of sample custody is managed and closely monitored by Citigold (management and senior staff).
Audits or reviews	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> • A Mineral Resources and Reserves report was completed in May 2012. The report contains a comprehensive review and assessment of all sampling techniques and methodologies, sub-sampling techniques, data acquisition and storage, and reporting of results. Statements on QA and QC can be found on page 48 of the report. The report can be found on Citigold's website at www.citigold.com - click Mining >Technical Reports >Mineral Resources and Reserves 2012). • Citigold's database has been audited by several independent consultants since 1998 and most recently by Snowden in 2011.

Section 2 Reporting of Exploration Results

Mineral tenement and land tenure status	<ul style="list-style-type: none"> • <i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i> • <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.</i> 	<ul style="list-style-type: none"> • Citigold currently holds six (6) EPM's, Three (3) MDL's and forty seven (47) ML's. EPM15964, EPM15966, EPM116979, EPM18465, EPM18813, EPM18820, MDL118, MDL119, MDL252, ML1343, ML1344, ML1347, ML1348, ML1385, ML1387, ML1398, ML1407, ML1408, ML1409, ML1424, ML1428, ML1429, ML1430, ML1431, ML1432, ML1433, ML1472, ML1488, ML1490, ML1491, ML1499, ML1521, ML1545, ML1548, ML1549, ML1585, ML1586, ML1587, ML1735, ML10005, ML10032, ML10042, ML10048, ML10050, ML10091, ML10093, ML10193, ML10196, ML10208, ML10222, ML10281, ML10282, ML10283, ML10284, ML10285, ML10335
Exploration done by other parties	<ul style="list-style-type: none"> • <i>Acknowledgment and appraisal of exploration by other parties.</i> 	<ul style="list-style-type: none"> • Charters Towers is one of Australia's richest gold deposits. A plethora of historical data from the Charters Towers area has been collected, collated and is included within the Citigold geological database. • Citigold's drill hole database includes historical drilling including 1993 - Mt Leyshon Gold Mines Ltd extensions to CRA diamond drill holes in the areas. 1991 - Diamond and RC drilling by PosGold in a joint venture with Charters Towers Mines NL that covered parts of the Central area areas. 1981-84 - Diamond-drilling by the Homestake/BHP joint venture in the Central area 1975, 1981-82, and 1987 - Diamond and RC drilling in central by A.O.G., CRA and Orion respectively. • Citigold retains all diamond core and a collection of core drilled by other companies is its on-site coreyard.
Geology	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • Mineralisation at Charters Towers is referred to as "orogenic" style narrow vein mesothermal gold deposit. • The many reefs are hosted within a series of variably-oriented fractures in granite and granodioritic host rocks. Mineralisation does occur in adjacent metasedimentary rocks. • The gold-bearing reefs at Charters Towers are typically 0.3 metres to 1.5 metres thick, comprising hydrothermal quartz reefs in granite, tonalite and granodiorite host rocks. There are some 80 major reefs in and around Charters Towers city. • The majority of the ore mined in the past was concentrated within a set of fractures over 5 km long East-West, and 500 metres to 1600 metres down dip in a North-South direction. The mineralised reefs lie in two predominant directions dipping at moderate to shallow angles to the north (main production), and the cross-reefs, which dip to the ENE. • The reefs are hydrothermal quartz-gold systems with a gangue of pyrite, galena, sphalerite, carbonate, chlorite and clays. The reefs occur within sericitic hydrothermal alteration, historically known as "Formation". • The goldfield was first discovered in December 1871 and produced some 6.6 million ounces of gold from 6 million tons of ore from 1872 to 1920,

		with up to 40 companies operating many individual mining leases on the same ore bodies. There were 206 mining leases covering 127 mines working 80 lines of reef and 95 mills, cyaniding and chlorination plants. The field produced over 200,000 ounces per year for 20 consecutive years, and its largest production year was 1899 when it produced some 320,000 ounces.
Drill hole Information	<ul style="list-style-type: none"> • A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> • easting and northing of the drill hole collar • elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar • dip and azimuth of the hole • down hole length and interception depth • hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> • Not applicable to this report – no new drill assay results included.
Data aggregation methods	<ul style="list-style-type: none"> • In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> • No drill assays are reported here. • No aggregation of sections have been used. • Metal equivalents are not used.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none"> • Structures within Charters Towers are highly variable in width and can be variable in dip over short distances, however, every attempts is made to drill approximately perpendicular to the dip of the structure. The intercepts are reported as intercept widths and may not necessarily represent true widths in some cases.
Diagrams	<ul style="list-style-type: none"> • Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> • Not applicable to this report – no new drill assay results included.
Balanced reporting	<ul style="list-style-type: none"> • Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results 	<ul style="list-style-type: none"> • No new drilling was undertaken • Drill holes not included (regardless of intercepts and grade) are those that were drilled specifically for DH geophysics which were typically drilled parallel to the mineralised structure. All other drill holes have been reported, regardless of whether it has returned high or low grades.

Other substantive exploration data	<ul style="list-style-type: none"> • <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> • Not applicable to this report
Further work	<ul style="list-style-type: none"> • <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> • <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> • Future work will concentrate on drilling between drill hole intercepts in the Central area.
Section 3 Estimation and Reporting of Mineral Resources Section 4 Estimation and reporting of Ore Reserves		Section 3 and Section 4 do not pertain to this report.

AUDITOR'S INDEPENDENCE DECLARATION

K S Black & Co are the auditors of Citigold Corporation Limited. A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'M Lynch', with a stylized flourish at the end.

M Lynch
Chairman

A handwritten signature in black ink, appearing to read 'J Foley', with a horizontal line extending from the end.

J Foley
Director

15 March 2017

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS
ACT 2001 TO THE DIRECTORS OF CITIGOLD CORPORATION LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2016 there has been:

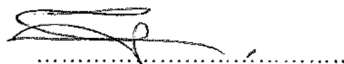
- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities is in respect of Citigold Corporation Limited and the entities it controlled during the period.

Name of Firm: KS Black & Co

Name of Partner: Scott Bennison

Dated in Sydney on this *15th* day of *March* 2017



Scott Bennison
Partner

Phone 02 8839 3000
Fax 02 8839 3055



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Consolidated statement of profit or loss and comprehensive income for the half-year ended 31 December 2016

		Consolidated	
		Half-year ended 31 December 2016	Half-year ended 31 December 2015
		\$	\$
Revenue			
Cost of Sales		-	-
Gross Profit		-	-
Other income	3	333,722	28,879
Employee benefits expense		(531,353)	(1,088,153)
Depreciation and amortisation expense		(273,883)	(302,295)
Finance costs	4	(2,825,877)	(2,244,372)
Consulting expense		(75,652)	(125,554)
Other expenses		(901,647)	(1,935,095)
Loss recognised on disposal of interest in associate		-	-
Impairment of assets	5	-	-
(Loss)/Profit before income tax expense		(4,274,690)	(5,666,590)
Income tax expense		-	-
(Loss)/Profit after tax from continuing operations		(4,274,690)	(5,666,590)
Other comprehensive income			
Total comprehensive loss		(4,274,690)	(5,666,590)
Profit attributable to:			
(Loss)/Profit attributable to minority interest		-	-
(Loss)/Profit attributable to members of the company		(4,274,690)	(5,666,590)
		(4,274,690)	(5,666,590)
Total comprehensive income attributable			
(Loss)/Profit attributable to minority interest		-	-
(Loss)/Profit attributable to members of the company		(4,274,690)	(5,666,590)
		(4,274,690)	(5,666,590)
Basic and diluted EPS (cents per share)		(0.24)	(0.35)

Notes to the financial statements are included on pages 20-22

Consolidated statement of financial position as at 31 December 2016

	Consolidated	
	Half year ended 31 December 2016	Year ended 30 June 2016
	\$	\$
Current assets		
Cash and cash equivalents	98,364	21,707
Receivables	321,879	374,734
Other	-	-
Inventories	223,982	227,831
Total current assets	644,225	624,272
Non-current assets		
Property, plant and equipment	110,784,837	111,046,934
Other financial assets	2,010,908	2,004,096
Total non-current assets	112,795,745	113,051,030
Total assets	113,439,971	113,675,302
Current liabilities		
Payables and accrued liabilities	7,742,370	7,174,516
Borrowings	13,939,487	10,897,258
Provisions	1,527,556	1,378,307
Total current liabilities	23,209,413	19,450,081
Non-current liabilities		
Borrowings	-	-
Provisions	1,457,812	1,497,785
Total non-current liabilities	1,457,812	1,497,785
Total liabilities	24,667,225	20,947,866
Net assets	88,772,746	92,727,436
Equity		
Issued capital	212,490,319	212,170,319
Reserves	39,257,542	39,257,541
Accumulated losses	(163,044,198)	(158,769,507)
Total equity attributable to shareholders of the company	88,703,663	92,658,353
Non-Controlling interest	69,083	69,083
Total equity	88,772,746	92,727,436

Notes to the financial statements are included on pages 20-22

Consolidated statement of changes in equity for the half-year ended 31 December 2016

Consolidated	Issued Capital \$	Asset Revaluation Reserve \$	Capital Reserve \$	Share based payments reserve \$	Convertible Bonds \$	Retaining Earning \$	Attributable to Owners of parent \$	Non controll ing interest \$	Total \$
Balance as at 1 July 2016	212,170,319	37,851,950	571,430	834,163	0	(158,769,508)	92,658,353	69,083	92,727,436
Profit for period						(4,274,690)	(4,274,690)	-	(4,274,690)
Share of other comprehensive income of associates									
Total comprehensive income						(4,274,690)	(4,274,690)	-	(4,274,690)
Convertible Bonds									
Owners contribution, net of transaction cost	320,000						320,000	-	320,000
Balance as at 31 December 2016	212,490,319	37,851,950	571,430	834,163	0	(163,044,198)	88,703,663	69,083	88,772,746
Balance as at 1 July 2015	209,603,819	37,851,950	571,430	834,163	0	(150,491,199)	98,370,162	69,083	98,439,245
Profit for period						(5,666,590)	(5,666,590)	-	(5,666,590)
Share of other comprehensive income of associates									
Total comprehensive income						(5,666,590)	(5,666,590)	-	(5,666,590)
Owners contribution, net of transaction cost	1,980,000						1,980,000	-	1,980,000
Balance as at 31 December 2015	211,583,819	37,851,950	571,430	834,163	0	(156,157,789)	94,683,572	69,083	94,752,655

Notes to the financial statements are included on pages 20-22

Consolidated statement of cash flow for the half-year ended 31 December 2016

	Consolidated	
	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
Cash flows from operating activities		
Receipts from customers	333,710	28,729
Payments to suppliers and employees	(571,279)	(2,927,040)
Interest and other costs of finance paid	-	(2,244,372)
Net cash (used in)/provided by operating activities	(237,570)	(5,142,683)
Cash flows from investing activities		
Interest received	12	150
Payment for Property, Plant and Equipment	(11,786)	-
Proceed from sale of Property, Plant and Equipment	-	-
Development costs paid	-	-
Net cash provided/(used in) by investing activities	(11,774)	150
Cash flows from financing activities		
Proceeds from issues of equity securities	320,000	1,480,000
Proceeds from borrowings	9,000	2,445,067
Repayment of borrowings	(3,000)	(27,394)
Net cash provided by/(used in) financing activities	326,000	3,897,673
Net Increase (Decrease) in cash and cash equivalents	76,656	(1,244,860)
Cash and cash equivalents at the beginning of the half-year	21,707	1,263,903
Cash and cash equivalents at the end of the half-year	98,364	19,043

Notes to the financial statements are included on pages 20-22

1. Basis of preparation and accounting policies

a) Basis of Preparation

The general purpose financial report for the interim half year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year consolidated financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2016 Annual Report.

Furthermore, it is also recommended that this report be considered together with any public announcements made by Citigold Corporation Limited and its controlled entities in accordance with the continuous disclosure obligations of the Corporations Act 2001 and the Australian Stock Exchange Listing Rules.

b) Significance Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

c) Going Concern

The Group has incurred a net loss after tax of \$4,274,690 (2015: \$5,666,590) for the half-year and net cash outflows from operating activities of \$237,570 (2015: \$5,142,683). These conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The ongoing viability of the Group and the recoverability of its non-current assets are dependent on the successful development of its exploration and evaluation assets, and/or sale of assets and future capital raisings.

The financial statements are prepared on a going concern basis as the Group's cash-flow forecast indicates that after meeting all of its commitments, including repayment of the Fortune loan, and it will remain cash flow positive until February 2018. This forecast assumes that the Directors will be able to make share placements within current capacity in accordance with past practice and gold sales to the contracting party at least in the amount of \$18 million through to February 2018.

As previously reported the Company has been and continues in ongoing discussions with Fortune Gems and Jewelry DMMC ('Fortune') in relation to the redeemable Notes ('Notes') that have passed their redemption date. Citigold is currently in discussion with Fortune on the Notes' redemption date and will make a further announcement when current commercial negotiations are complete. As previously announced Citigold has a long term relationship with Fortune.

The Directors are confident the due date of the loan from Fortune will be extended beyond April 2017. The loan is expected to be paid in part or full from the proceeds from the gold sales in the near medium term.

The Company has a well-established record of capital raising. On this basis the Directors are of the opinion that the financial statements can be prepared on a going concern basis and the Group will be able to pay its debts as and when they fall due and payable.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

2. Segment Reporting

The consolidated entity operates exclusively in one business segment being gold mining and exploration. Details of the mining exploration activities are set out in the review of operations. Each company within the consolidated entity operates within the one geographic area, being Australia.

3. Other Income

	Consolidated	
	Half-year ended 31 December 2016	Half-year ended 31 December 2015
	\$	\$
Research and Development Tax Offset receivable	-	-
Interest received	12	150
Sundry Income	333,710	28,729
Total	<u>333,722</u>	<u>28,879</u>

4. Finance Costs

	Consolidated	
	Half-year ended 31 December 2016	Half-year ended 31 December 2015
	\$	\$
Interest Paid and other Finance Charges	(2,825,877)	(2,244,372)
Total	<u>(2,825,877)</u>	<u>(2,244,372)</u>

5. Impairment of Assets

	Consolidated	
	Half-year ended 31 December 2016	Half-year ended 31 December 2015
	\$	\$
Impairment of Property, Plant and Equipment	-	-
Total	-	-

The carrying values of property, plant and equipment are reviewed for impairment, and adjusted if appropriate, at each reporting date. The Directors have considered internal and external factors and believe that the net present value of the group's projects remains well above the carrying value of its Capitalised Exploration, Evaluation and Development Expenditure.

At 31 December 2014, the consolidated entity recognised an impairment loss on some of its capitalised Exploration, Evaluation and Development Expenditure.

The Company acknowledges an indicator of impairment has occurred in that the market capitalisation as at the date of this report was circa \$20 million. However, the Company has determined in accordance with the Accounting Standard that the recoverable amount of the assets based on the future discounted cash flows significantly exceeds the carrying amount of the assets and therefore no impairment is required.

6. Issued Capital

Issued capital as at 31 December 2016 amounted to \$212,490,319 (1,795,921,386 ordinary shares). During the half-year reporting period, Citigold Corporation Limited issued 23,333,333 ordinary shares by way of Placement.

7. Events subsequent to half-year end

Post balance date, 13 March 2017, Citigold announced that it had entered into a binding "Gold Sale Agreement" for the sale of up to 100,000 ounces of gold, with the gold sold deliverable over the next 5 years. This sale of gold, if fully drawn by the purchaser, could bring in circa \$100 million to Citigold at prevailing gold prices. At the current planned gold production profile the 100,000 ounces represents circa 20% of the planned first 5 year gold production. With operating costs estimated to be circa one third of gold revenue, at current prices, there is substantial cost safety margin for the Company to profitably deliver the gold within the period.

Directors' Declaration

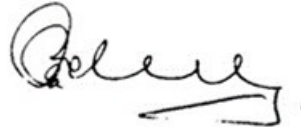
The Directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached half year financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001; and give a true and fair view of the financial position and performance of the consolidated entity for the half year ended 31 December 2016.

Signed in accordance with a resolution of the directors.



M J Lynch
Chairman



J Foley
Director

15 March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Citigold Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Citigold Corporation Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the entity comprising the company at the half-year's end or from time to time during the half-year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on *Review Engagements ASRE 2410 Review of a Financial Performed by Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* Including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Citigold Corporation Limited, ASRE 2410 required that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Adverse opinion

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial report does not give a true and fair view of the group's financial position as at 31 December 2016 and of its financial performance for half-year; but are in accordance with Australian Accounting Standards and the *Corporation Regulations 2001*.

Basis for Adverse Opinion

The Going Concern as referred to in Note 1(c) of the financial statements is reliant upon a positive cash flow forecast that will enable the company to pay its debts as and when they fall due.

The cash flow forecast is heavily reliant upon future successful raising of necessary funding through equity, loans and or gold sales. These conditions, along with other matters set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Specifically, I have not been able to obtain sufficient appropriate audit evidence to satisfy myself that the projected cash receipts outlined in the company's cash flow forecast will occur.

Emphasis of matter

Without amendment to our conclusion we emphasise the following matter.

Impairment of Assets

Note 1(h) of the accounting policies state that the company reviews the carrying amounts of its tangible and intangible assets to determine where there is any indication that those assets have suffered an impairment loss.

The market capitalisation of the company as at the date of this report is \$18m and pursuant to AASB 136 paragraph 12(d) this is an indicator of impairment as it is below the carrying amount of the tangible and intangible assets of the company.

The company has provided sufficient information and has determined that the recoverable amount is greater than the carrying amount disclosed in the financial statements and as such has determined that no impairment is required to the carrying amounts of the tangible and intangible assets disclosed in the financial statements and therefore complies with AASB 136.

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However, the following Adverse Opinion relating to 'going concern' may impact on the impairment of assets as the recent valuation report dated 9 March 2017 is based on the assumption that the company has available capital and capacity to develop its resources.

Should this not be the case due to going concern, the valuation of the company's assets should have regard to this and may require impairment.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Citigold Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated: 15 March 2017

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