

18 May 2017



Ms Lisa Banh
Senior Listings Adviser
ASX Compliance Pty Limited
20 Bridge Street
SYDNEY NSW 2000

Citigold Corporation Limited
86 Brookes Street (PO Box 1133)
Fortitude Valley QLD 4006 Australia
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E: mail@citigold.com

By email to: lisa.banh@asx.com.au

Dear Ms Banh

Citigold Corporation Limited (the "Entity" or "Citigold") – ASX Appendix 5B Query

On Friday 28 April 2017 Citigold issued its Quarterly Activities & Cash Flow Report as at 31 March 2017 to the market (**Announcement**).

The Australian Securities Exchange (**ASX**) has requested the Entity respond to certain questions which are set out below, together with the Entity's responses (*in italics*):

1. Does Citigold expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

Yes. The Entity expects it will continue to have negative operating cash flows for the time being, which is consistent with industry practice for a mining exploration company.

2. Has Citigold taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

The Entity proposes to, and has taken, steps to raise further funds for working capital to fund its operations and believes that it is most likely to be successful in keeping with previous practice, which steps include:

- (a) *The Entity regularly monitors its cash flow requirements in order to meet its planned ongoing activities by arranging capital raisings including through the issue of equity securities, raising of finance via debt funding and/or the sale of assets, as may be required;*
- (b) *On 13 March 2017, Citigold announced a "Gold Sale Agreement" that it had entered into for the sale and pre payment 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 overtime to Citigold at prevailing gold prices. This sale of gold is effectively a pre payment for the gold they purchase. The Entity expects revenue from the gold sale agreement to commence being received by Citigold in the current Quarter;*
- (c) *Other major complementary project funding discussions are in advanced stages and potential strategic funding partners continue to show interest in the production ready Charters Towers Gold Project. Following on from the already announced gold sale agreement, the Entity expects these will continue as additional complementary*

discussions to further financially enhance the Company's growth. The major development funding seeks to raise substantial additional funds with a strong financial partner in stages that will see aggressive development of the gold project to the targeted full production and the generation of positive operating cash flows;

- (d) As already announced in the 31 March 2017 Quarterly Activities Report and Appendix 5B, the Entity is considering launching a Share Purchase Plan (SPP) in the current Quarter to be used by the Entity as 'top-up' working capital and planning for the reactivation of the production ready Charters Towers Gold Project;*
- (e) Previously the company has announced the successful sale of gold in the ground and continues to consider additional gold sales in the ground;*
- (f) In addition to the above steps, short term loans (both unsecured and secured) have been used by the Entity in the past year and further short term loans are also under negotiation and consideration by the Entity; and*
- (g) The Entity has share placement capacity under Listing Rule 7.1 and 7.1A and would raise up to approximately \$2 million if at recent share prices. In that regard, the Entity continues to have active discussions with prospective institutional and sophisticated investors.*

The Entity also has various assets including mining and exploration leases and freehold property available that may be realised, if required, to assist in funding its activities.

Based upon the information currently available to the Entity, the Entity considers that the Entity is likely to continue to have sufficient cash to fund its operations.

3. Does Citigold expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes. The Entity expects to be able to continue its operations and to meet its business objectives for the time being on the basis of the matters set out in the Announcement and the responses to Questions set out above. Also, the Entity will make appropriate announcements to the market on the finalisation of any material contracts and/or agreements.

4. Please provide any other information that Citigold considers may be relevant to ASX forming an opinion on whether Citigold is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

The Entity considers that information that may be relevant to ASX forming an opinion of compliance with the requirements of Listing Rule 12.2 includes:

- (a) the Entity is the holder of very substantial assets with net assets of \$88.77 million as disclosed in the Half Yearly Report as at 31 December 2016;*
- (b) The Entity's very substantial assets include having 11 million ounce of gold in Inferred Mineral Resource (25 million tonnes at 14 g/t Au) and 620,000 ounces of gold in Probable Ore Reserve (2.5 million tonnes at 7.7 g/t Au) as announced to ASX on 19 May 2012 (and the Entity confirms that it is not aware of any new information or data that materially affects the announced information and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed).*

- (c) *the Entity has a long trading history;*
 - (d) *the Entity has previously conducted income generating mining activities at the site of its Charters Towers Gold Project;*
 - (e) *the Directors currently consider that the Entity will be in a position to secure sale of assets and/or further investments from a strategic partner in order that the Entity may undertake significant mining activities;*
 - (f) *The proven ability of the Entity to raise further funds for working capital is consistent with previous practice and experience in respect of the Entity;*
 - (g) *The sale of gold in the ground and or the pre payment for gold being purchased are likely to provide considerable funding to the Entity, as outlined in the response to Question 2 above.*
 - (h) *In addition to the above, short term loans (both unsecured and secured) have been used by the Entity in the past year and further short term loans are also under consideration by the Entity; and*
 - (i) *Other major complementary project funding discussions have advanced and continued with potential interested strategic partners to expand the Group's production ready Charters Towers Gold Project into a strong gold producer. This aims to add complementary funds to the already announced gold sale agreement.*
5. Please confirm that Citigold is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

The Entity confirms that it complies with ASX Listing Rules 3.1 and that there is no information about its financial condition that should be given to the ASX in accordance with that Rule that has not already been released to the market.

6. Please confirm that Citigold's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of Citigold with delegated authority from the board to respond to ASX on disclosure matters.

The Entity confirms that Citigold's responses to the questions above have been authorised by an officer of Citigold with delegated authority from the Board to respond to ASX on disclosure matters.

We trust that the above sufficiently addresses ASX's questions.

For and on behalf of the board.



Mark Lynch

Executive Chairman

Citigold Corporation Limited



15 May 2017

Mr Niall Nand
Company Secretary
86 Brookes Street
Fortitude Valley QLD 4006

By email: nnand@citigold.com

Dear Mr Nand,

Citigold Corporation Limited ("Citigold"): Appendix 5B Query

I refer to Citigold's Appendix 5B quarterly report for the period ended 31 March 2017 lodged with ASX Market Announcements Platform on 28 April 2017 (the "Appendix 5B").

ASX notes that Citigold has reported:

- negative net operating cash flows for the quarter of \$115,000
- cash at the end of the quarter of \$6,000; and
- estimated cash outflows for the next quarter of \$90,000.

It is possible to conclude, based on the information in the Appendix 5B that if Citigold were to continue to expend cash at the rate indicated by the Appendix 5B, Citigold may not have sufficient cash to continue funding its operations. In view of that, ASX asks Citigold to respond separately to each of the following questions and requests for information:

1. Does Citigold expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has Citigold taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does Citigold expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that Citigold considers may be relevant to ASX forming an opinion on whether Citigold is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
5. Please confirm that Citigold is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

6. Please confirm that Citigold's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of Citigold with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 4:00pm AEST on 18 May 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in Citigold's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, Citigold's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at lisa.banh@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to Citigold's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that Citigold's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in Citigold's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Lisa Banh
Senior Listings Adviser
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