



**HALF YEARLY REPORT**  
**31 DECEMBER 2014**

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## Corporate Directory

### CORPORATE & REGISTERED OFFICE

Level 13,  
500 Queen Street,  
Brisbane, 4000 QLD, Australia  
Telephone: +61 7 3834 0000  
Facsimile: +61 7 3834 0011  
Email: brisbane@citigold.com

### CHARTERS TOWERS MINE SITE

Clermont Highway, PO Box 10,  
Charters Towers, QLD, 4820, Australia  
T: +61 7 4787 8300 F: +61 7 4787 8600  
Email: mine@citigold.com

### DIRECTORS

Mark Lynch (Executive Chairman)  
Chris Towsey (Executive Director)  
John Foley (Non-Executive Director)  
Arun Panchariya (Non-Executive Director)  
Raymond Tan (Non-Executive Director)

### COMPANY SECRETARY

John Haley

### 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  
Level 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 2014. 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 C Towsey (Executive Director)*

*Mr J Foley (Non-Executive Director)*

*Ms A Panchariya (Non-Executive Director)*

*Mr R Tan (Non-Executive Director)*

Company Secretary:

*Mr J Haley*

## REVIEW OF OPERATIONS

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

### Highlights for Half Year include:

- Major development funding negotiations continue to advance with a \$72 million Joint Venture agreement with Kingsford Investment Group Ltd
- Ongoing drilling and geophysics program showing excellent result
- \$4 million raised during the period from share issue and debt facility.
- Citigold has completed the bulk sampling program (open pit prefeasibility study) which has been profitable.
- Key designs for the Central Mine completed and budgeted for

The company during the half year continue to progress in building a solid platform for a short term production target of 50,000 ounces per annum in stage one of the Central mine expansion.

Citigold has reached a \$72 million Joint Venture agreement with Kingsford Investment Groups Ltd to develop the Charters Towers goldfield. The joint venture aims to turn this gold deposit into a large scale mine with initial production target of 50,000 ounces of gold per annum into over 300,000 ounces of gold production per annum. This partnership is a strong testimony to the value of the Charters Towers project.

In addition, the drilling program has yielded excellent results with high grade drill intersections. The strong drilling results coupled with the geology team strong understanding of the gold deposit will enhance the quality of mine planning to achieve the initial and ongoing production target.

Citigold has impaired \$96 million of its Capitalised Exploration, Evaluation and Development Expenditure through the Profit and Loss Account. This substantially increased the Company's non-cash losses for the period. This impairment was taken in relation to the planned percentage ownership change associated with the \$72 million joint venture. The asset value in the joint venture will remain at the pre impairment value of \$208 million. The joint venture will in addition to this at commencement have an additional \$72 million giving a total initial net asset value of \$280 million. Citigold's share of this is 40% creating a total value at the creation of the joint venture for Citigold of \$112 million. The Directors believe the Net Present Value of its projects remains well above the carrying value of its Capitalised Exploration, Evaluation and Development Expenditure.

With many of the key design issues at Central mine now resolved, the design and the budget of the main exhaust shaft, dewatering facilities and decline development extension is now completed. The Central mine will proceed with stage 1 of the expansion phase once project funding is received.

## **Financial Result**

During the period, including a non-cash impairment of \$96 million (see explanation above), Citigold incurred a net loss of \$98.6 million, with the loss before impairment of \$2.6 million, compared with a loss of \$4.1 million over the same period last year. The reduced loss before impairment was a result of higher profits from production, and a decrease in other costs.

Gross profit was \$401,579, a 100% increase over the same period last year. This was a direct consequence of the decrease of unit costs from bulk sampling. Total expenses decreased by 66% to \$4.77 million.

Operating cash outflow was \$1.65 million compared to a cash outflow of \$1.48 million during the corresponding period last year. Investment in capital development was \$322,000.

Current ratio dropped during the period whilst total liabilities is approximately 8.5% of assets. Net debt remains low at 2.3% of net assets.

The impairment resulted in a transfer of \$96 million from capitalised Exploration, Evaluation and Development expenditure to the Profit and Loss Account, with the Development Property, Land and Buildings and Plant and Equipment carrying values remain unchanged.

In addition to gold sales proceeds, the project remains funded by the recent share issue, which brought in \$842,500 and a \$3 million secured loan facility, and by a Research and Development tax offset of approximately \$300,000 received after year end with a further \$500,000 refund anticipated.

## **Mine Development and Production**

### **Central Mine**

Over the last 18 months, Citigold have made big strides in recommissioning the Central mine. The rehabilitation program have included the refurbishment of the central decline, installation of fan in the

Victoria main ventilation shaft and upgrading of the main high voltage electric grid power installations at site.

At the completion of the current refurbishment program, excavation will target a connection to the brilliant block ventilation shaft where additional power and ventilation will be installed. This will enable the Queen/Sunburst ore body to be developed together with two cross reefs where early production is forecast. With many of the key design issues at Central mine resolved, the initial stage of decline development can begin once funding is received and will allow multiple working faces to be developed simultaneously, assisting the company to achieve the initial production target of 50,000 ounces per annum. Early production will be from the closest of the high-grade structures and associated ore zones from decline development, reducing the time and costs associated with first commercial production.

The next stage will be to develop and access the Brilliant ore body, then the Day Dawn ore body.

### **Imperial Mine**

With the planned major development at the Central mine, the Imperial mine is currently placed under care and maintenance. The plan is to revive production initially from Central Mine and free cashflow generated from the project will be used to advance the Imperial Mine.

### **Imperial Open Pit Prefeasibility Study**

Citigold have completed a bulk-sampling program on a site south of the Washington open pit. From diamond drilling conducted from 2012 and 2013, several high grade intercepts in drill holes and historical mining on the structure promotes this area as a potential target for future open pit and/or underground mining.

A key area of interest has now been identified and further work is planned on confirming the distribution, lateral continuity and average grade of the plethora of associated veins. An RC drilling program has been planned to aid in the sub surface extrapolation of structures and for grade control purposes.

The bulking sampling program has yielded a total gold output of 984 ounces generating a total of \$1.36 million.

## **Geology**

The geology team at Citigold is working diligently towards achieving the company's vision to define an inventory of mineable gold reserves that will ensure longevity and sustainable recovery of high-grade gold ore into the future.

To achieve this goal, the team has focused on drilling the gold-bearing structures that lie closest to the current underground development with a total of 902.70 metres of NQ diamond drilling completed. These targets include the C38, C03W and C37 structures. From the last six drilling holes completed, the highest grade intercepts of 66.7 grams per tonne gold and 21.8 grams per tonne gold were both from the C03/C03W (Queen/Queen West) structure. These drilling results further highlight the presence of multiple gold-bearing structures and the presence of gold on all of the primary target structures (C03/C03W and C38).

In conjunction with down-hole and surface programs internally, Citigold has also teamed with ADROK to apply cutting edge technology to the definition of mineral targets. The unique style of mineralisation at the Charters Towers goldfield requires a unique approach to reserve definition if it is to be completed in a rapid, cost effective, precise and accurate manner.

Citigold has had success in pinpointing sulfides using new Atomic Dielectric Resonance technology (ADR) developed by ADROK and have recently achieved further significant advances in this area with the drilling of an ADR target revealing a positive intercept of 37.9 grams per tonne gold. This encouraging result provides Citigold with confidence that the new technique will help dramatically increase both the speed and accuracy of the reserve definition process.

The geology team remained focused in delivering its clear strategic plan to increase the number and size of minable ore bodies with the smarter, faster, better and cheaper philosophy.

The team's strategic plan for 2015 can be summarized below:

- 1) Continue to develop and utilise the most advanced technologies and techniques to clearly identify the high-grade gold lenses in the extensive network of under-explored fractures/structures within the Charters Towers goldfield.
- 2) Remain at the forefront in technological advances in geophysics to aid in the rapid and precise definition of high grade gold ore.
- 3) Generate a low-cost predictive methodology for pinpointing the boundaries of the high-grade gold mineralisation and to use this information to guide cost- and time-efficient drilling of targets.
- 4) To generate a well-constrained cache of high-grade gold reserves for the short-term and long-term mining and production plan.
- 5) Further constrain the grade and tonnes of the three proximal mineralised structures; C38 and C03W and C37.

Citigold is successfully progressing toward extending the current Indicated Mineral Resources and associated mining target areas towards the existing underground decline. Drilling is continuing to prove the structural interpretations and estimations of grade distribution and is looking forward to presenting further significant results in 2015.

## **Health, Safety and Environment**

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

There is one reportable environmental incident during the half year. It is a minor non-compliance and unlikely to cause damage to the environment both in short term and long term.

## **Outlook**

With strong competitive advantages built up over time at Charters Towers gold project, Citigold is in a good position to realise the company's goal of producing at least 300,000 ounces per annum at low cost and efficient manner.

In 2015, Citigold look forward to further enhance these strong competitive advantages with a clear plan of adding new reserve and efficient conversion of mineral resource with the aim of increasing the number and size of minable ore bodies with use of low cost methodology including the use of advanced technologies



and techniques. In addition, with the \$72 million JV agreement close to completion, the company can resume its plan to rehabilitate and start production the Central mine using its low risk, proven and low cost mining method.

With the continued strong support from its shareholders, the Board and Management are looking forward to add value to the Charters Towers gold project in 2015 and provide strong returns in the years to come.

Your directors have considered it prudent not to declare a dividend at this time.

*The Financial Report for the Half Year Ended 31 December 2014 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 2014 and any public announcements made by Citigold Corporation Limited during the half-year to 31 December 2014 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 5.6, 5.22 and 5.24 and Clause 9 of 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 appointed as an Executive Director of Citigold in April 2014. 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 Pathfinder Exploration Pty Ltd Report on the Mineral Resources and Ore Reserves of the Charters Towers Gold Project dated May 2012, which can be found at <http://www.citigold.com/mining/technical-reports> and is referenced by Citigold in its public statements was compiled in compliance with the 2004 JORC Code that was current at that time. This May 2012 report has not yet been updated to the 2012 JORC Code.*

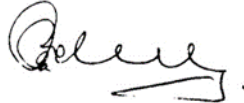
## AUDITOR'S INDEPENDENCE DECLARATION

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 16.

Signed in accordance with a resolution of the directors



M Lynch  
Chairman



J Foley  
Director

12 March 2015



## Consolidated statement of profit or loss and comprehensive income for the half-year ended 31 December 2014

		Consolidated	
		Half-year ended 31 December 2014	Half-year ended 31 December 2013
		\$	\$
Revenue		1,383,518	2,765,044
Cost of Sales		(981,939)	(2,565,711)
<b>Gross Profit</b>		<b>401,579</b>	<b>199,334</b>
Other income	3	808,105	83,279
Employee benefits expense		(1,320,756)	(1,442,228)
Depreciation and amortisation expense		(338,091)	(368,019)
Finance costs	5	(413,197)	(474,102)
Consulting expense		(318,128)	(301,153)
Other expenses	4	(1,394,891)	(1,771,405)
Loss recognised on disposal of interest in associate		-	-
Impairment of assets	6	(96,000,000)	-
<b>(Loss)/Profit before income tax expense</b>		<b>(98,575,379)</b>	<b>(4,074,295)</b>
Income tax expense		-	-
<b>(Loss)/Profit after tax from continuing operations</b>		<b>(98,575,379)</b>	<b>(4,074,295)</b>
<b>Other comprehensive income</b>			
<b>Total comprehensive loss</b>		<b>(98,575,379)</b>	<b>(4,074,295)</b>
Profit attributable to:			
(Loss)/Profit attributable to minority interest		0	(12)
(Loss)/Profit attributable to members of the company		<b>(98,575,379)</b>	<b>(4,074,283)</b>
		<b>(55,575,379)</b>	<b>(4,074,295)</b>
Total comprehensive income attributable			
(Loss)/Profit attributable to minority interest		-	(12)
(Loss)/Profit attributable to members of the company		<b>(98,575,379)</b>	<b>(4,074,283)</b>
		<b>(98,575,379)</b>	<b>(4,074,295)</b>
Basic and diluted EPS (cents per share)		(18.65)	(0.30)

Notes to the financial statements are included on pages 12-14

## Consolidated statement of financial position as at 31 December 2014

	Consolidated	
	Half year ended 31 December 2014 \$	Year ended 30 June 2014 \$
<b>Current assets</b>		
Cash and cash equivalents	1,253,123	186,971
Receivables	712,634	1,232,921
Other	500,000	-
Inventories	325,117	326,421
<b>Total current assets</b>	<b>2,790,874</b>	<b>1,746,313</b>
<b>Non-current assets</b>		
Property, plant and equipment	111,943,112	208,566,297
Other	553,204	553,204
<b>Total non-current assets</b>	<b>112,496,316</b>	<b>209,119,501</b>
<b>Total assets</b>	<b>115,287,190</b>	<b>210,865,814</b>
<b>Current liabilities</b>		
Payables and accrued liabilities	8,007,343	8,016,475
Borrowings	3,286,439	1,020,269
Provisions	1,303,622	1,358,966
<b>Total current liabilities</b>	<b>12,597,404</b>	<b>10,395,710</b>
<b>Non-current liabilities</b>		
Borrowings	104,854	135,315
Provisions	602,036	619,013
<b>Total non-current liabilities</b>	<b>706,889</b>	<b>754,328</b>
<b>Total liabilities</b>	<b>13,304,293</b>	<b>11,150,038</b>
<b>Net assets</b>	<b>101,982,897</b>	<b>199,715,776</b>
<b>Equity</b>		
Issued capital	208,710,747	207,868,247
Reserves	39,257,542	39,257,542
Accumulated Losses	(146,054,475)	(47,479,096)
Total equity attributable to shareholders of the company	101,913,814	199,646,693
Minority interest	69,083	69,083
<b>Total equity</b>	<b>101,982,897</b>	<b>199,715,776</b>

Notes to the financial statements are included on pages 12-14

## Consolidated statement of changes in equity for the half-year ended 31 December 2014

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 \$
<b>Balance as at 1 July 2014</b>	207,868,247	37,851,950	571,430	834,163	0	(47,479,096)	199,646,693	69,083	199,715,776
Profit for period						(98,575,379)	(98,575,379)		(98,575,379)
Share of other comprehensive income of associates									
<b>Total comprehensive income</b>						(98,575,379)	(98,575,379)		(98,575,379)
Convertible Bonds Owners contribution, net of transaction cost	842,500						842,500		842,500
<b>Balance as at 31 December 2014</b>	<b>208,710,747</b>	<b>37,851,950</b>	<b>571,430</b>	<b>834,163</b>	<b>0</b>	<b>(146,054,475)</b>	<b>101,913,814</b>	<b>69,083</b>	<b>101,982,897</b>
<b>Balance as at 1 July 2013</b>	<b>197,868,247</b>	<b>37,851,950</b>	<b>571,430</b>	<b>834,163</b>	<b>708,900</b>	<b>(39,806,945)</b>	<b>198,027,744</b>	<b>69,095</b>	<b>198,096,839</b>
Profit for period	-	-	-	-	-	(4,074,283)	(4,074,283)	(12)	(4,074,295)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,074,283)</b>	<b>(4,074,283)</b>	<b>(12)</b>	<b>(4,074,295)</b>
Owners contribution, net of transaction cost	-	-	-	-	(708,900)	-	(708,900)	-	(708,900)
<b>Balance as at 31 December 2013</b>	<b>10,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000,000</b>	<b>-</b>	<b>10,000,000</b>
	207,868,247	37,851,950	571,430	834,163	-	(43,881,228)	203,244,561	69,083	203,313,644

Notes to the financial statements are included on pages 12-14

## Consolidated statement of cash flow for the half-year ended 31 December 2014

	Consolidated	
	Half-year ended 31 December 2014	Half-year ended 31 December 2013
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,389,530	2,844,919
Payments to suppliers and employees	(2,783,154)	(3,813,126)
Interest and other costs of finance paid	(253,118)	(510,335)
Net cash (used in)/provided by operating activities	<b>(1,646,742)</b>	<b>(1,478,542)</b>
<b>Cash flows from investing activities</b>		
Interest received	2,093	3,405
Payment for Property, Plant and Equipment	-	(594,510)
Proceed from sale of Property, Plant and Equipment	607,295	-
Development costs paid	(322,202)	(5,011,548)
Net cash provided/(used in) by investing activities	<b>287,186</b>	<b>(5,602,653)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of equity securities	190,000	7,000,000
Proceeds from borrowings	3,000,000	405,780
Repayment of borrowings	(764,292)	(890,000)
Net cash provided by/(used in) financing activities	<b>2,425,708</b>	<b>6,515,780</b>
<b>Net Increase (Decrease) in cash and cash equivalents</b>	<b>1,066,152.29</b>	<b>(565,416)</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>	<b>186,970.99</b>	<b>732,680</b>
<b>Cash and cash equivalents at the end of the half-year</b>	<b>1,253,123</b>	<b>167,264</b>

Notes to the financial statements are included on pages 12-14

## 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 2014 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 2014 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

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

## 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 2014	Half-year ended 31 December 2013
	\$	\$
Research and Development Tax Offset receivable	800,000	-
Interest received	2,093	3,405
Sundry Income	6,012	79,874
Total	808,105	83,279

#### 4. Other Expenses

	Consolidated	
	Half-year ended 31 December 2014	Half-year ended 31 December 2013
	\$	\$
Insurance and other asset costs	(41,024)	(191,062)
Office administration costs	(302,244)	(421,313)
Royalty Payments	(89,921)	(133,252)
Corporate administration	(61,159)	(133,805)
Tenement charges and costs	(444,190)	(257,754)
Travel expenses	(93,805)	(121,773)
Professional fees	(47,952)	(138,654)
Loss on Sale of asset	(314,597)	(373,791)
<b>Total</b>	<b>(1,394,841)</b>	<b>(1,771,405)</b>

#### 5. Finance Costs

	Consolidated	
	Half-year ended 31 December 2014	Half-year ended 31 December 2013
	\$	\$
Interest Paid and other Finance Charges	(413,197)	(474,102)
<b>Total</b>	<b>(413,197)</b>	<b>(474,102)</b>

#### 6. Impairment of Assets

	Consolidated	
	Half-year ended 31 December 2014	Half-year ended 31 December 2013
	\$	\$
Impairment of Property, plant and equipment	(96,000,000)	-
<b>Total</b>	<b>(96,000,000)</b>	<b>-</b>

During the period Citigold impaired some of its Capitalised Exploration, Evaluation and Development Expenditure through the Profit and Loss Account which has increased the Company's losses. This write-off is due to the value derived in the assets of the Company post the commencement of the \$72 million joint venture. The Directors believe the Net Present Value of its projects remains well above the carrying value of its Capitalised Exploration, Evaluation and Development Expenditure.

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## **7. Contingent Liabilities**

Citigold are continuing discussion with the Department of Environment, Heritage and Protection in regards to the adequacy of financial assurance provided for the purpose of mine rehabilitation. The potential liability can be from \$600,000 up to a maximum of \$12.5 million.

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## **8. Issued Capital**

Issued capital as at 31 December 2014 amounted to \$208,710,747 (1,563,907,767 ordinary shares). During the half-year reporting period, Citigold Corporation Limited issued 48,142,861 ordinary shares under a Share Purchase Plan and Placement.

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## **9. Events subsequent to half-year end**

Subsequent to half-year end, Citigold has reached a \$72 million Joint Venture agreement with Kingsford Investment Groups Ltd to develop the Charters Towers goldfield.



## Directors' Declaration

The Directors declare that:

- (a) in the director's 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 2014.

Signed in accordance with a resolution of the directors.



M J Lynch  
*Chairman*



J Foley  
*Director*

12 March 2015

Level 6, 350 Kent Street  
Sydney NSW 2000

87-89 Lyons Road  
Drummoyne NSW 2047

# **K.S. Black & Co.**

**Chartered Accountants**

ABN 57 446 338 888

20 Grose Street  
North Parramatta NSW 2151

PO Box 2210  
North Parramatta NSW 1758

**CITIGOLD CORPORATION LIMITED  
ABN 30 060 397 177  
INDEPENDENT AUDIT REVIEW REPORT TO THE MEMBERS**

## **Report on the Half Year Financial Report**

We have reviewed the accompanying half year financial report of Citigold Corporation Limited which comprises of

- the Statement of Financial Position as at 31 December 2014;
- the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the six month period ended on 31 December 2014;
- a statement of accounting policies and other explanatory notes, and the Directors declaration

## **Responsibility for the Financial Report**

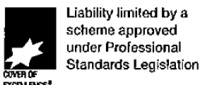
The Directors are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors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

## **Reviewing Auditors Responsibility**

Our responsibility is to express a conclusion on the financial report based on our review. We have conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the Corporations Act 2001 including: giving a true and fair view of Citigold Corporation Limited's financial position at 31 December 2014 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 auditors of Citigold Corporation Limited, ASRE 2410 requires 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, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Liability limited by a  
scheme approved  
under Professional  
Standards Legislation

Phone 02 8839 3000 Fax 02 8839 3055

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**Chartered  
Accountants**

**Independence**

In conducting our review, we have complied with the independence requirements of Corporations Act 2001.

**Conclusion**

Based on our review, which is not an audit, and subject to our qualification detailed below, we have not become aware of any material matter that causes us to believe that the half year financial report of Citigold Corporation Limited is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of Citigold Corporation Limited's financial position at 31 December 2014 and of its half year performance for the half year ended on that date, and
- complying with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

**Qualification: Going Concern**

The Directors remain confident of the positive future for the company's operations. The Directors perspective is based upon the following two transactions being resolved to the company's benefit. At the date of this report, we have been unable to determine the outcome of the transactions as the transactions are future dated regarding settlement.

The future of the company as a Going Concern is dependent upon:

1. Completion of the Joint Venture Agreement (JV),  
and
2. Resolution of the status of a surety bond required by the Queensland Department of Environment and Heritage Protection (DEHP).

**Joint Venture Agreement (JV)**

On 2 March 2015 the company announced a partnership in a JV to develop the Charters Towers goldfield.

The JV becomes operative upon receipt by the venture of \$72 million, payable by the second partner as:

- 6 May 2015 \$10 million, first instalment
- 10 June 2015 \$62 million, second instalment

Upon payment, the company becomes a 40% interest partner in the JV.

**First Instalment:**

The JV is to advance the first instalment to the company to be utilised by the company to settle outstanding creditor balances. Although not specified in the agreement, the Directors have advised us that the creditor balances are to be settled by the JV.

**Second Instalment:**

Upon receipt of the second instalment, non current assets of the company will be transferred to the JV. At transfer, the carrying amounts of non current assets at 31 December 2014 will represent an expected loss on disposal of approximately \$96 million. The company has recognised this impairment in the financial statements. Should the agreement not be completed, the carrying amount of non current assets will require impairment reappraisal.

The second partner is not an Australian registered entity. Consequently we have been unable to review the financial status of that entity.


#### **DEHP Surety Bond**

In October 2014 the company submitted a Plan of Operations for the Charters Towers Gold Project to the DHEP. The Project is comprised of Mining Leases which are detailed in the Review of Operations attached to the 2014 Annual Report. After review of the Plan, on 27 November 2014 the DEHP issued the requirement for a remediation surety bank guarantee of \$12,509,000. The guarantee is the financial assurance required by DHEP to cover what it considers to be the likely remediation costs of the Project. At the date of this report, the guarantee of this amount has not been lodged by the company. Since 2013 the company has been in dispute with DEHP regarding the quantum of remediation and has appealed to the Land Court. The appeal is not expected to be heard until late 2015. The Directors have advised us that under the terms of Mining Leases held by the company, operations may continue pending resolution with DEHP, notwithstanding the current surety notice issued.

DHEP'S assessment of remediation costs has been shown as a Contingent Liability in Note 7 of the financial statements. The company's own assessment of remediation costs is \$507,804, and existing surety bonds have been lodged of \$492,304, and are both shown in the Consolidated Statement of Financial Position as a Non Current Liability and Non Current Asset respectively.

#### **Qualification**

Based upon the uncertainty attaching to outcomes of the above transactions, we have been unable to form an opinion of the future of the company as a Going Concern and of its ability to meet its obligations to creditors.



T. O. Nolan  
Partner  
K.S. Black & Co

Sydney  
Dated: <sup>12</sup>.....March 2015