

23 March 2016

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Attention: Ms Stephanie Yong

By email to Stephanie.yong@asx.com.au

Dear Ms Yong

Citigold Corporation Limited (the "Entity") – Financial Condition Query

On Friday 18 March 2016 Citigold Corporation Limited ("**Company**") issued its Half Year Report as at 31 December 2015 ("**Financial Report**") to the market ("**Announcement**").

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

1. Is the Entity able to confirm that in the Directors' opinion the Financial Report:

(a) complies with the relevant Accounting Standards; and

The Directors of the Entity confirm that in the Directors' opinion the Financial Report has been prepared in compliance with the relevant Australian Accounting Standards.

The Directors note that the Entity's auditors have given a disclaimer of opinion in the Independent Auditor's Review Report to the Financial Report. Such disclaimer only identified the carrying value of the Entity's property, plant and equipment in the context of AASB136 (Impairment of Assets).

The Directors are satisfied that the Entity has complied with AASB136 (Impairment of Assets) as there is no basis for recording in the Financial Report any impairment of the property, plant and equipment, including for the reasons set out in the response to Question 4 below.

(b) gives a true and fair view of the financial performance and financial position of the Entity?

The Directors of the Entity confirm that in the Directors' opinion the Financial Report gives a true and fair view of the financial performance and financial position of the Entity for the half year ended 31 December 2015.

2. The Entity has stated in Note 1 of the Financial Report that “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, it will remain cash positive until March 2017. This forecast assumes that the Directors will be able to make forward gold sales amounting to \$1,200,000 in March to May 2016....” (“Forward Gold Sales”).

Please explain the basis on which the directors believe it will be able to make the Forward Gold Sales, given the underground operations and processing plant at the Entity’s Charters Towers Gold Project continue to remain on care and maintenance.

In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, and the validity of the assumptions upon which these forecasts are based.

The Directors believe the Entity will be able to make the Forward Gold Sales.

The Directors note that the Forward Gold Sales may proceed despite the Entity’s Charters Towers Gold Project continuing to remain on care and maintenance.

In order to effect the Forward Gold Sales, as at the date of this letter, the Entity currently intends to sell a small portion of its gold resources.

The assumption that the Directors will be able to make forward gold sales amounting to \$1,200,000 in March to May 2016 has been made on the basis that the Entity is seeking to sell 60,000 ounces of gold resource at a price of AUD\$20 per ounce in situ. The relevant gold resources have been identified and are situated within a granted mining lease. Any sale or sublease of all or part of the relevant mining lease or leases to a buyer will not interfere with the planned future production operations of the Entity. Under the terms of sale, the buyer will be responsible for any extraction and processing.

3. Given the Disclaimer relates to the Auditor’s inability to obtain sufficient audit evidence in relation to the carrying value of the Entity’s property, plant and equipment, please explain how the directors satisfied themselves that the carrying value is appropriate and adheres to the current Australian Accounting Standards?

In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based.

*The Directors of the Entity confirm that in the Directors’ opinion the carrying value of \$111,473,375 (“**Carrying Value**”) for property, plant and equipment is appropriate for the property, plant and equipment and adheres to the Australian Accounting Standards.*

In assessing whether there is any indication that an asset may be impaired, the Entity considered the guidance of the Australian Accounting Standards Board’s standard number 136 (AASB136) Impairment of Assets which “prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount”.

Based upon those considerations, among other things, the Directors are satisfied that no observable indication existed as at 18 March 2016 that an impairment write down was required in respect of the property, plant and equipment and that the Carrying Value of property, plant and equipment was appropriate and the Financial Report adheres to the current Australian Accounting Standards.

The Financial Report indicates net assets of the Entity of \$94.76 million. The main asset of the Entity 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 and associated and other works. The infrastructure owned by the Entity is represented in the \$111.5 million capitalised Exploration, Evaluation and Development expenditure including the Development Property, Land and Buildings and Plant and Equipment. Carrying values have not changed in any material manner from those recorded in the Annual Report.

In preparing the Financial Report, the Directors reviewed and considered the values of assets (carrying amounts) and in particular the carrying amounts for the property, plant and equipment comprised principally of the Charters Towers Gold project assets. Such review considered the value of assets by discounting estimated future cash flows using appropriate discount rates and other industry value measures. The Directors further considered the cash flows and assumptions used in calculations prepared by management and experts for material assets, bearing in mind their respective knowledge of the business, the assets, the industry and environment in which the Entity operates, and the future prospects of the business. The Directors and officers of the Entity have a deep and informed knowledge of the assets which was taken into account in such review.

Also, the Directors had regard to the previous financial reports for the 6 month period ending 31 December 2014. The Directors noted that in that financial period, the Entity recorded an impairment of the property, plant and equipment asset in the amount of \$96 million. Such impairment reduced the carrying value of the property, plant and equipment from \$208.5 million to \$111.8 million. This impairment at this time had been based on a low value deal that had been entered into with a third party to develop the mine. That proposed arrangement has since come to an end.

As detailed above, the Directors have previously considered the carrying value for the property, plant and equipment in considerable detail in connection with the preparation of the Entity's Annual Report for the period ended 30 June 2015. Importantly, that Annual Report:

- (a) recorded the impairment of property, plant and equipment in the amount of \$96,000,000;*
- (b) after the application of that impairment, reported property, plant and equipment with a carrying value of \$111,775,670; and*
- (c) as at the date it was prepared on 29 September 2015, did not include any disclaimer of opinion or note in respect of the carrying value of the property, plant and equipment other than that "the recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest."*

In addition to the above matters, the Directors opinion in respect of the carrying value of the property, plant and equipment in the Financial Report is based upon a number of factors, including (without limitation):

(a) the Directors are satisfied that the Carrying Value for the property, plant and equipment represents the amount which may be recovered through the use or sale of the asset.

(b) the Directors reasonably believe based upon past experience, the state of the gold mining industry and current discussions with prospective strategic partners (as previously disclosed, including in the Financial Report) that the Entity continues to be well placed to successfully develop and exploit the areas of interest;

(c) based upon current information, the life of the mine is expected to be between 20 to 30 years;

(d) the Project will be a long-term project;

(e) the Entity has prepared detailed cash flow models in respect of the Project and the amount which may be recovered through the use of the Project assets;

(f) the directors noted that in the period from 30 June 2015 (being the financial period end date for the Annual Report) to 18 March 2016 (being the date of preparation of the Financial Report):

(i) given the nature of the property, plant and equipment and the above factors, the directors consider that there had been no significant or material change in the value of the property, plant and equipment.

(ii) there has been no issue identified to change the value of the resources or reserves controlled by the Entity.

(iii) there has been no significant or material change to the infrastructure in respect of the Project, which remains on care and maintenance. The Entity continues to engage personnel to perform ongoing services and maintenance, including at the Project Site.

(iv) The infrastructure remains able to be utilised by the Entity for the purposes of the Project.

(v) The Entity continues to be the holder of the mining leases which are required in respect of the Project.

(vi) the price of gold has increased, including relative to the AUD. The assumptions used for the discounted cash-flow model as at 30 June 2015 have taken into account lower gold prices.

(g) The Entity has not moved from the relevant Accounting Standards from prior periods or changed its interpretation of any of its relevant accounting policies during the current period.

4. What steps does the Entity intend to take to obtain an unqualified audit/review report for future financial periods?

The Directors consider that there was insufficient time for the necessary assessment to be carried out by the auditor.

The Entity intends to prepare and provide further information to the auditor in respect of the Entity's carrying value of property, plant and equipment in advance of the preparation of the Annual Reports for the period ending 30 June 2016.

The Entity intends to work closely with the auditor to determine a work schedule to allow adequate time for the auditor to undertake a full and considered assessment of the carrying value of the property, plant and equipment.

5. Does the Entity consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please explain the basis for this conclusion.

Yes. The Entity considers that its level of operations is sufficient to warrant continued quotation of its securities on the ASX on the basis of the information set out above in the response to question 3 and below.

The Entity holds very substantial assets and plans ongoing exploration, development and mining program.

Full details of the Entity's historical and proposed mining operations for the Charters Towers Gold Mining Project are set out in the Annual Report for the period ended 30 June 2015. That report identifies (among other things):

- (a) the Entity is the holder of a number of substantial mining leases and other exploration tenements;*
- (b) the Entity will conduct its gold mine project with a expected mine life of 20 to 30 years;*
- (c) to date, the Entity has undertaken an extensive drilling program in the project area;*
- (d) the Entity has undertaken considerable sampling and analysis in respect of the project area;*
- (e) the Entity has compiled a geological database and has collected, collated and reviewed a plethora of historical data in respect of gold mining;*
- (f) since 1993, the Entity has been mining at the Project;*
- (g) The Project has produced over 100,000 ounces of gold and 45,000 ounces of silver in trial mining.*
- (h) the Entity has constructed a 2 million tonne capacity tailing storage facility.*
- (i) the Entity has built a processing plant, which has been operated since 1994.*

(j) actual mining costs have been incurred together with purchase of mining equipment with over \$200 million already invested in developing the mine project.

Further, the Directors consider that there is an active market for shares in the Entity. The Entity's share register report as at 29 February 2016 indicates thousands of shareholders holding shares in the Company with shareholders based throughout the world including in Australia, the Middle East, Asia, North America and Europe.

6. Does the Entity consider that the financial condition of the Entity is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.

Yes. The Entity considers, and the Directors consider that the financial condition of the Entity is sufficient to warrant continued listing on the ASX in accordance with the requirements of Listing Rule 12.2. The basis for this conclusion includes :

- (a) the Entity is the holder of very substantial assets and has net assets of \$94.76M;*
- (b) the Entity has a long trading history;*
- (c) the Entity has previously conducted income generating mining activities at the site of the Project;*
- (d) the Directors currently consider that they will be in a position to secure sales and/or further investments from a strategic partners in order that the Entity may undertake significant mining activities;*
- (e) current discussions between the Entity and prospective strategic partners. The Entity is in discussions with several significant long term funding partners to fund the Charters Towers Gold Project;*
- (f) the proven ability of the Entity to raise equity funding. The Entity proposes to, and has taken, steps to raise further funds for working capital in keeping with previous practice;*
- (g) the forward gold sale program as outlined in the response to Question 2;*
- (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 negotiation and consideration by the Entity; and*
- (i) Major development funding negotiations continue with interested parties and the recent strengthening of the USD/gold price is assisting such discussions. The Entity is working towards finalising the major development funding in the current period to take the production ready Charters Towers Project to a projected 230,000 ounces a year gold output, from the Central mining area, with plans for ultra-low all-in gold production costs.*

7. If the answer to questions 5 or 6 is "No", please explain what steps the Entity has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.

Not Applicable.

8. Please confirm that the Entity is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.

The Entity confirms that it complies with the ASX listing rules, in particular listing rules 3.1 and 12.2.

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

For and on behalf of the board.



Mark Lynch

Executive Chairman

Citigold Corporation Limited



21 March 2016

Mark Lynch
Executive Chairman
Citigold Corporation Limited
500 Queen Street
Brisbane Qld 4000

By email

Dear Mr Lynch

Citigold Corporation Limited (the "Entity") – Financial Condition Query

ASX Limited ("ASX") refers to the following:

1. The Entity's half-year financial report for the half-year ended 31 December 2015, lodged with ASX on 18 March 2016 (the "Financial Report").
2. The Independent Auditor's Review Report on pages 23 to 25 of the Financial Report ("Auditor's Review Report") which includes the following Disclaimer of Opinion (the "Disclaimer"):

Conclusion

Our responsibility is to express an opinion on the financial report based on conducting the review in accordance with Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient audit evidence to provide a basis for a review opinion.

Basis for Disclaimer of Opinion

As disclosed in the consolidated statement of financial position, property plant and equipment is carried at \$111,473,375. This figure includes exploration and evaluation expenditure on mining tenements in respect of areas of interest in exploration and evaluation phases. The ultimate recovery of the Consolidated Entity's capitalised exploration expenditure is dependent upon the discovery, exploration and development of commercially viable mineral deposits, the generation of sufficient future income values there from and/or sale of the interests at an amount at least equal to the carrying values of the interests in mining tenements.



AASB136 Impairment of Assets requires an asset to be carried at no more than their recoverable amount. An asset is carried at no more than its recoverable amount if its carrying amount exceeds the amount to be recovered through the use or sale of the asset. The standard defines recoverable amount as the higher of an asset or cash generating unit's fair value less costs to sell. The management of Citigold have not provided us with sufficient audit evidence to assure ourselves that the company has adhered to current Australian Accounting Standards. The market capitalisation of the company as at the 15 March 2016 is \$30.02 Million.

Emphasis of matter

Without amendment to our conclusion we emphasise the following matter.

Going Concern

The Directors opinion as detailed in the Note 1 to the half-year financial report, which indicates that the ability of the entity to continue as a going concern is dependent upon future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the entity's

tenements. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast 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.

Relevant Listing Rules and Guidance

- Listing Rule 12.1 – *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.*
- Listing Rule 12.2 – *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
- Listing Rule 19.11A – *If a listing rule requires an entity to give ASX accounts, the following rules apply:*
...
(b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

Questions for Response

In light of the Auditor's Review Report, the information contained in the Financial Report, and the application of the listing rules stated above, please respond to each of the following questions:

1. Is the Entity able to confirm that in the Directors' opinion the Financial Report:
 - (a) complies with the relevant Accounting Standards; and



(b) gives a true and fair view of the financial performance and financial position of the Entity?

2. The Company has stated in Note 1 of the Financial Report that *“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, it will remain cash positive until March 2017. This forecast assumes that the Directors will be able to make forward gold sales amounting to \$1,200,000 in March to May 2016....”* (“Forward Gold Sales”).

Please explain the basis on which the directors believe it will be able to make the Forward Gold Sales, given the underground operations and processing plant at the Entity’s Charters Towers Gold Project continue to remain on care and maintenance.

In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, and the validity of the assumptions upon which these forecasts are based.

3. Given the Disclaimer relates to the Auditor’s inability to obtain sufficient audit evidence in relation to the carrying value of the Entity’s property, plant and equipment, please explain how the directors satisfied themselves that the carrying value is appropriate and adheres to the current Australian Accounting Standards?

In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based.

4. What steps does the Entity intend to take to obtain an unqualified audit/review report for future financial periods?
5. Does the Entity consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please explain the basis for this conclusion.
6. Does the Entity consider that the financial condition of the Entity is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.
7. If the answer to questions 5 or 6 is “No”, please explain what steps the Entity has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.
8. Please confirm that the Entity is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.



Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Entity's response to the market. Accordingly, the Entity's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **9:30am AEDT, Thursday 24 March 2016**.

Any response should be sent to me by return email. It should not be sent to the ASX Market Announcements Office.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

(sent electronically without signature)

Stephanie Yong
Senior Adviser, Listings Compliance (Sydney)