



## Quarterly Report

For the period ending 31 March 2016

### HIGHLIGHTS

- Detailed planning continued for the development of the Charters Towers project, centred on the Central Mine, to become a major high grade ultra-low cost producer of gold.
- Major project funding discussions continued with potential interested strategic partners to expand the Group's Charters Towers Gold Project into a major gold producer.
- Environmental monitoring and sampling were undertaken to increase the base data to assist planned growth in harmony with the local community through maintaining a relatively small environmental footprint and harnessing renewable and recycling techniques.
- Memorandum of Understanding ('MOU') was signed to partner in potentially acquiring an interest in the Kolar gold field in India. Part of a long term strategy to eventually have an interest in another giant world class gold project in addition to the Company's No. 1 priority Charters Towers Gold Project.

### OPERATIONS



The underground mining operations at the Company's Charters Towers 'Central' and 'Imperial' mining areas remained on active care and maintenance during the Quarter as did the gold processing plant.

No production mining operations were undertaken during the quarter.

Ongoing planning for resumption of mining at Charters Towers is continuing, and in particular for the main Central

Mine underground (shown left) that is planned to be reopened and expand into a 220,000 ounce annual producer of gold, subject to adequate capital funding. This outline of the

mining plan for the Central Mine was given in the previous Quarterly Report (the period ended 31 December 2015).

This outline of the mining plan included the Central Tunnel roadway (decline) which will be extended from a current point 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 junctioning at a vertical depth of 585 metres.

This Central Tunnel extension will open up the gold reefs (lodes) C03W, C38 and C39 respectively and then move on to C05E. Access to the C03W, C38 and C39 will come off the Central Tunnel extension, and gold reef access tunnels (drives) will be driven at 20 metre vertical levels to provide closely-spaced grade control samples. High volume gold ore extraction (stopping) will commence once these levels are developed and the King Shaft ventilation and emergency second exit (egress) are established.

Consideration in the coming Quarter may be given to the re-starting of operations at the Imperial mining area to provide cash flow while negotiating the major funding required for the development of the large Central Mine. The Imperial operation was initially suspended to focus the use of plant and equipment at the main Central mine area. Re-starting operations is a relatively simple technical matter. There are regulatory requirements on ventilation, ground support and general operational health and safety to be satisfied ahead of recommencement. If such a decision is made the Company will make an announcement accordingly.

Environmental monitoring and sampling were undertaken to increase the base data to minimise the Project's already relatively small environmental footprint, in future expansions.

## GEOLOGY AND EXPLORATION



The last Quarter saw the geology team nearing completion of its re-classification and re-organisation of all geological data including surface and drill hole samples in preparation for the upcoming period of intensive exploration and expansion of both its inferred and indicated resources.

Citigold geologists have also re-examined existing drill hole data and generated up-to-date 3D interpretations of the host structures at the Imperial mine site in order to gain a better understanding of subtle, previously unrecognised, variations in structure and host rock type that led to localisation of gold mineralisation. The updated structural models, based on more precise drill hole collar locations and a review of how the drill core is interpreted in 3D, will also aid in planning future mining. The new techniques developed are for mapping the precise geometry of the host structure which will lead to more accurate and precise information about the gold lodes being passed onto the underground mining and operations team.

Citigold geologists have also been using the time to prioritise its numerous untested targets on the Mineral Development Licenses using up-to-date geological data and model of the mineralisation.

Citigold continues to engage Adrok in utilising the ADR results and technology to help restructure and modernise its target definition program. General maintenance of all geophysical equipment is ongoing. Citigold is maintaining its reporting requirements and streamlining its tenement management program.

No new exploration drilling was undertaken during the Quarter.

Citigold is continuing to consolidate its drill hole database and fine-tune its planned drill holes for the Central area in order to help define gold lodes close to the planned decline. This information will in turn guarantee gold extraction in the shortest possible time.

## HEALTH, SAFETY AND ENVIRONMENT



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

Citigold is very environmentally aware. Its site has not caused environmental harm and has been uniquely integrated in harmony with the local Charters Towers community. The Company plans to build upon these successes to date and to work towards solar power

as the primary energy source. Modern solar and energy storage systems provide benefits not available a decade ago. This initiative will increasingly complement the move to take electric power underground for all of the mobile equipment thereby aiming to eliminate diesel engines from the underground environment. This will make for a safer and cleaner air working environment. Furthermore this then requires reduced energy use for ventilation fans because essentially most of the ventilation capacity is used to counter the extensive use of diesel engines underground that pollute the air, use up the oxygen and generate substantial heat.

This increased monitoring included the drilling of ten new groundwater monitoring bores, five of these are around the Black Jack area stockpiles and five around the Imperial overburden rock stockpiles. All groundwater samples for the ten holes returned favourable results in compliance with the Company's Environmental Authority and the groundwater meets stock water drinking quality standards. No evidence of any contamination of the groundwater by the stockpiles or mining operations adjacent to the stockpiles was detected in the new or existing monitoring bores. This is in keeping with previous results and expectations.

Geological assessment of the rock stockpiles confirms that they comprise background granite/granodiorite identical to the natural surrounding background rock, and are therefore incapable of adding any new contaminants above natural background levels.

Preliminary three-dimensional (3D) modelling of the geochemistry of the Tailings Storage Facility ("TSF") has commenced by the drilling of eight initial boreholes from surface to the base of the TSF, sampling each hole at one-metre intervals in the deepest section of the TSF at the southern end. Assay results were not yet available at the end of the Quarter. Further drilling may be undertaken depending on the results obtained from this preliminary round of sampling. The intent of the sampling is to assess the level of any potential contaminants and the overall tailings chemistry to verify that the tailings are stable and non-polluting, both now and into the future. Previous sampling indicated that the tailings are relatively benign, and the pH was alkaline. This prevents the mobilisation of metals. The salt levels were low and the total sulphur levels were less than 0.2%, effectively eliminating the possibility of acid rock drainage.



Modelling and generation of a 3D surface depicting the base of complete oxidation and the water table from borehole logs were completed for the Stockholm to Black Jack area, including the TSF. A separate surface was generated for the Imperial Mine area to better understand groundwater movement in these areas. Two consulting groups have been engaged to provide guidance on groundwater matters and on the geochemistry and reactivity of the rock stockpiles and TSF.

The project was planned to be and remains in harmony with the natural and community environment.

## **CORPORATE**

### **Major development funding**

Activities during the Quarter were directed towards securing a strategic partner to assist in developing and advancing the Group's Charters Towers Gold Project. Based on current discussions Citigold aims to finalise a transaction in the current Quarter.

The Business Plan review was able to draw on over five years of analysis of how to automate an underground gold reef mine. Citigold is now in the unique position of having a clear view of how this will be implemented in parallel with the re-commencement of mining and development of an ultra-low cost producer of gold.

### **Kolar Goldfield**

Post Quarter end the Company on 7<sup>th</sup> April 2016 in Bangalore, India, signed a Memorandum of Understanding ("MOU") to partner with a consortium to potentially acquire the assets of Bharat Gold Mines Limited ("BGML"). The assets principally comprise mining leases, land and plant in the heart of the Kolar Goldfield, India. Citigold has been conducting field visits and investigations on the project since 2006. The Kolar Gold mining project is in the Kolar Gold Fields area 80 km east of Bangalore in Karnataka State (formerly Mysore) in southern India. The Kolar Gold Field is about 60 km<sup>2</sup>, although the enclosing schist belt is some 80km

long.

The consortium members who have partnered exclusively in the project are Citigold Corporation Limited and Pan India Network Infravest Limited (part of the giant Essel Group conglomerate), collectively referred to as EGCITICO. This opportunity is a part of a long term strategy to eventually have an interest in another giant world class gold project in addition to the Company's No. 1 priority Charters Towers Gold Project.

### **Updated Contact Details**

Citigold previously advised the updated office contact number is:

Telephone : 07 38 39 40 41

International: +61 7 38 39 40 41

Email: mail@citigold.com

Address unchanged at: Level 13, 500 Queen Street, BRISBANE QLD 4000 Australia

### **Staff Change**

As previously advised Mr Niall Nand has been appointed Company Secretary. He is a Certified Practising Accountant (CPA) and holds a Bachelor of Business degree with an extended major in professional accounting. He has seven years' experience in small to large tier firms where he played an integral role in the development of systems and processes to manage the corporate, statutory compliance and financial reporting.

## **FINANCIAL HIGHLIGHTS**

With the gold project on care and maintenance our operations and expenditure are much curtailed.

Exploration and development costs were cut by 47%, from \$469,000 last Quarter to \$248,000, and administration costs cut by 12% from \$280,000 to \$246,000. Overall, Net Operating Cash Flows were halved from \$743,000 last Quarter to \$364,000. Further reductions in administration costs are planned for the Head Office during the coming Quarter while maintaining current small staff levels at the mine site while on care and maintenance.

A Research and Development tax offset of \$130,000 was received during the Quarter for previous work undertaken, and a share placement raised \$357,000.

Current capital raising plans for the coming Quarter to June include a share placement, a small forward sale of gold in the ground as previously announced and most importantly completion of one of the major funding deals so that the project can aggressively move back into sustained low cost gold production.

### **Update on Redeemable Notes**

During the Quarter the Company has been in discussions with Fortune Gems and Jewelry DMMC ('Fortune') in relation to the redeemable Notes ('Notes'). Citigold is in discussion with Fortune on the Notes' redemption date and will make a further announcement when the current commercial negotiations are complete.

## SUMMARY OF MINING TENEMENTS & AREAS OF INTEREST

In accordance with requirements, Citigold reports that the Consolidated Entity has a 100% control of the following mining tenements at Charters Towers as at 31<sup>st</sup> March 2016 and there were no acquisitions or disposals during the Quarter:

Exploration Permits Minerals	EPM 15964	EPM 15966	EPM 16979	EPM 18465	EPM 18813	EPM 18820
Minerals Development Licences	MDL 116	MDL 118	MDL 119	MDL 251	MDL 252	
Mining Leases	ML 1343	ML 1408	ML 1433	ML 1548	ML 10042	ML 10222
	ML 1344	ML 1409	ML 1472	ML 1549	ML 10048	ML 10281
	ML 1347	ML 1424	ML 1488	ML 1585	ML 10050	ML 10282
	ML 1348	ML 1428	ML 1490	ML 1586	ML 10091	ML 10283
	ML 1385	ML 1429	ML 1491	ML 1587	ML 10093	ML 10284
	ML 1387	ML 1430	ML 1499	ML 1735	ML 10193	ML 10285
	ML 1398	ML 1431	ML 1521	ML 10005	ML 10196	ML 10335
	ML 1407	ML 1432	ML 1545	ML 10032	ML 10208	

For further information contact:

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Company Secretary

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Or visit the Company's website – [www.citigold.com](http://www.citigold.com)

**CORPORATE and  
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**AUDITOR**

K S Black & Co  
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Sydney NSW 2000



**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*

## Appendix 5B

### ***Mining exploration entity and oil and gas exploration entity quarterly report***

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

CITIGOLD CORPORATION LIMITED

ABN

30 060 397 177

Quarter ended ("current quarter")

31 March 2016

### **Consolidated statement of cash flows**

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(179)	(1,432)
(b) development	(69)	(442)
(c) production	-	-
(d) administration	(246)	(1,144)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R&D tax offsets	130	130
<b>Net Operating Cash Flows</b>	<b>(364)</b>	<b>(2,888)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	7	7
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>7</b>	<b>7</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(357)</b>	<b>(2,881)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(357)	(2,881)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	356	2,566
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	315
1.17	Repayment of borrowings	(14)	(1,259)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	342	1,622
	<b>Net increase (decrease) in cash held</b>	(15)	(1,259)
1.20	Cash at beginning of quarter/year to date	19	1,263
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	4	4

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2 Paid to Directors	20
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	-
4.4 Administration	200
<b>Total</b>	<b>400</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4	19
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4</b>	<b>19</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

+ See chapter 19 for defined terms.

### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns	-	-	-	-
7.3 <b>+Ordinary securities</b>	1,766,025,553	1,766,025,553		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns	(a) 25,075,000	(a) 25,075,000	2 cents	Fully paid
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	20,000,000	nil	Exercise price 3 cents	Expiry Date 20 June 2016
7.8 Issued during quarter	5,000,000	nil	Exercise price 5 cents	Expiry Date 30 November 2017
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

## **Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 29 April 2016  
(Company secretary)

Print name: Niall Nand

## **Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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